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Home Center News ®

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Weyerhaeuser sells 5-unit Dixieline to R.I. firm

By Brad Altman
West Coast correspondent

SAN DIEGO — Weyerhaeuser Co. has sold its five-unit Dixieline Lumber Co. here to Nortek Inc., of Providence, R.I., a diversified manufacturer whose array of products includes vanities, kitchen range hoods and light fixtures sold by DIY dealers.

Weyerhaeuser officials refused to confirm that the purchase price was about $30 million in cash and notes as disclosed to *NHCN* by one source familiar with the negotiations, which were concluded Oct. 11.

A Nortek spokesman, Jim Carlson, corporate communications director, said that the "exact amount" could not be determined because of uncertainty over the value of the debentures used in the transaction.

In the deal Dixieline will be incorporated into a Nortek holding company called Monogram Industries Inc., based in Culver City. However, Carlson noted that the chain would retain a large degree of operating autonomy. "The way we operate is we work with the existing management team.

"We see the acquisition as an opportunity to put our finger on the pulse of the DIY market," he said.

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Handy Andy sells 65% stake to European-based company

Plans expansion into Wisconsin

By Donald Longo
NHCN managing editor

GURNEE, Ill. — With the financial resources of one of the largest DIY companies in the world behind it, Handy Andy Home Improvement Centers here is launching an aggressive expansion program that will bring the Handy Andy name into the greater Milwaukee market for the first time.

Belgian retailer GB-Inno-BM, the Brussels-based conglomerate with international interests in department stores, supermarkets, restaurants and DIY companies, acquired 65% of Handy Andy early last month, according to Francois Vaxelaire, chairman of the board. GB-Inno-BM currently owns 23% of Scotty's, the 121-store Florida chain.

Handy Andy chairman Ron Rashkow declined to elaborate on details of the agreement, which closed Oct. 4, but he did indicate that the deal "is more complicated than that," refer-

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GB-Inno-BM at a glance—1984	
Total sales	$2.1 billion (U.S.)
Number of retail outlets in Belgium	177
Net profit	$15 million (U.S.)
Number of employees (converted to equivalent full timers)	21,412
Handy Andy at a glance—1984*	
Total sales	$106 million
Number of stores	15
Total square footage of selling area	900,000 sq. ft.
Number of employees	1,100

Source: GB-Inno annual report; **NHCN* estimates; *NHCN* chart

Belgian retailer GB-Inno-BM brings substantial capital to finance Handy Andy's aggressive expansion plans.

Wickes Lumber starts housing finance program

By John Caulfield
NHCN senior editor

CHICAGO — Wickes Lumber here has recently begun offering a home loan program aimed at making it easier for DIYers to finance the construction of a new home using materials purchased from the chain's 213 stores.

This financing instrument, the first of its kind offered through a home improvement chain, is part of Wickes Lumber's Home Package program that the chain is attempting to revive after a dormant period from 1982 to 1984 when its par-

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Homecrafters president and chairman, Georges Hanzi, will close or sell six warehouse units, including this Nashville unit (above), by year's end in an effort to stem financial losses. NHCN photos

Homecrafters to close or sell six warehouse stores

By Phillip M. Perry
NHCN senior editor

BIRMINGHAM, Ala. — Homecrafters Warehouse said last month that it planned to either sell or close all four of its Denver warehouse outlets, and both of its Nashville warehouse stores, by the end of this year.

The announcement, which came only a month after the company said it expected to incur continuing losses for the next two quarters, further emphasized the severity of the steps the company is willing to take to return to profitability. While the company had previously begun cutting operating expenses in an attempt to stem losses, this was the first time the chain said that selling some of its units was necessary. Sale of the stores will leave the company with only five warehouse units, and 28 traditional home center outlets.

The chain also reduced operating hours at its Memphis, Tenn., and Louisville, Ky., warehouse units on Oct. 15. Although the chain said that the three Memphis stores had begun to show profits in the last quarter, the weekday operating hours were slimmed from 10 a.m. to 7 p.m. These stores were previously open from 9 a.m. to 9 p.m.

(Continued on page 6)

NEWSBREAKS

THE ANDERSONS GO TO COLUMBUS. The three-unit company will open a 120,000-sq.-ft. store with a 50,000-sq.ft. garden center in Columbus in September 1986. A unit of approximately the same size will also be built in Dayton, although no construction date has been set yet.

ORCHARD SUPPLY HARDWARE OPENS THREE UNITS. The San Jose, Calif.-headquartered W. R. Grace division slated Oct. 30 to open new units in Redwood City and Millbrae, Calif. The chain opened its 19th unit Sept. 25 in Concord.

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Plywood Ranch begins expansion drive; purchases New Hampshire lumber dealer

By Milford Prewitt
NHCN associate editor

BRAINTREE, Mass. — Plywood Ranch, a chain of 13 stores based in New England, plans to open two more stores next spring as part of a new expansion drive intended to double the size of the company in five years.

The $18 million chain took the first steps in its expansion drive last month, with the purchase of Halle Lumber, a single-unit lumber retailer in Berlin, N.H.

The acquisition was the first expansion move by the chain since a new owner-management team—consisting of John O. Hartung, president, and R. Lee Tussing Jr., vp—bought the controlling stock from former owner and chairman Charles Rosen in April. At the time of the Hartung-Tussing buy-in, Plywood Ranch was an

> *'We have given the chain a sense of direction, a firm idea of where we are going and what we are doing.'*
>
> **—Lee Tussing Jr.,** *vice president, Plywood Ranch*

ailing home center chain, which had whittled down in size from 30 company owned and franchised units to less than half that number.

But recent sales performances and a focused strategy for growth has given the new management reasons for optimism and confidence.

"Since we have taken over, Plywood Ranch has been profitable for the first time in recent times," Tussing said, noting that for the most recent five months tracked, sales had increased more than 12% when compared to the same time period last year. He would not provide exact sales figures.

"We have given the chain a sense of direction, a firm idea of where we are going and what we are doing," Tussing added. "As a result of new manage-

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NHCNews Briefs

Industry Update

Hines Lumber sells off 6 DC's

CHICAGO — Six of the 10 wholesale distribution centers owned by the Edward Hines Lumber Co. of Chicago were sold to the Hinco Corp., affiliated with the Hudson Group of New York City, for approximately $7.9 million, according to the Chicago-based retailer.

The sale, which was first announced in July, was completed on Oct. 8. It does not include nearly $6 million in trade receivables, noted Howell H. Howard, chairman.

The six distribution centers, which Howard said will continue to operate as they do now, are located in Grand Rapids, Mich.; Indianapolis, Ind.; Lafayette, Colo.; Skokie, Ill.; Springfield, Mo.; and Tulsa, Okla., the Hines Co. said.

This sale was completed two weeks before the scheduled Oct. 23 stockholders meeting at which final approval to sell the 26 Chicago-area retail stores for $28 million in cash plus stocks to the Hines family is expected.

Still to be decided is the fate of the company's other retail group, the eight-unit Kindt Corp. Howard said he is "negotiating" with prospective buyers for the Wisconsin-based chain, though he declined to name anyone.

After this stockholders meeting, Howard said Hines' management would consider a payment request made by the company's Stockholders' Cooperative Committee, as stated in an Oct. 3 Securities and Exchange Commission filing. The committee has proposed that stockholders recommend to management that "as much as possible of the Company's available cash . . . and also the shares of stock of Southern Mineral Corp. held by the company" be distributed to shareholders.

Howard noted that this terse request for cash and stock payment was simply a recommendation, and "is not legally binding."

Home Quarters expands in Va.

VIRGINIA BEACH, Va. — Home Quarters Warehouse set a Nov. 29 opening date for its third unit, which it characterized as a historic step for the chain. "The store means that we are expanding the chain, and that we are not in the R&D stage anymore," said Frank Doczi, president of the W. R. Grace subsidiary. The new store's 85,000 sq. ft. is midway between the 75,000 sq. ft. and 100,000 sq. ft. of the company's two original stores, opened earlier this year in Virginia Beach and Hampton, Va. (*NHCN*, March 12). The company also announced a store for Norfolk, Va., to open in the first half of 1986.

Hechinger opens 2 in Rochester

LANDOVER, Md. — Hechinger's opened its two warehouse units in Rochester, N.Y., last month, with official grand openings set for Oct. 26. This brings its warehouse count to five.

Both units are between 72,000 sq. ft. and 74,000 sq. ft. and occupy former Two Guys stores. The unit north of the city on Hudson Avenue opened on Oct. 7 and the one in the town of Henrietta, south of the city, on Oct. 14. In this market, Hechinger's competitors include 11-unit Chase-Pitkin, eight Grossman's units, 84 Lumber and many independents.

"We think Rochester hasn't seen anything like us," said Nonie England, vp marketing. "It's a unique challenge describing who we are and what we are."

Copeland units shuttered

PORTLAND, Ore. — Copeland Lumber Yards closed two small yards in September in the Imperial Valley cities of Brawley and Holtville, Calif., and is planning to replace an existing yard in Albany, Ore., with a larger outlet by the end of November.

The shuttered units in the Imperial Valley apparently were outmoded. Each facility was more than 30 years old and contained a retail showroom of under 1,000 sq. ft.

The 78-unit chain based here has yards in California, Washington, Arizona, Oregon, Nevada and Idaho.

Boise's 3Q net falls 37.9%

BOISE, Idaho — Operating income in the third quarter from Boise Cascade's remaining 22 retail and nine wholesale units was "comparable" to the same period last year. And the company had a pretax gain in the quarter of $6.7 million, or 13¢ per share, from the recent sale of its San Diego units (*NHCN*, Oct. 21).

But Boise Cascade also took a pretax charge of $6 million, or 11¢ per share, for "severance and other employee expenses associated with the company's continuing cost reduction program." The company's third quarter net income fell 37.9% to $20.3 million, on sales of $934 million, which were off 3%. Earnings per share for the three-month period were down 42.5% to 65¢.

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Vol. 11, No. 23 November 4, 1985

Scotty's reveals expansion plans; 1st quarter figures show decline

NEW YORK CITY, N.Y. — Scotty's plans to have 23 stores patterned after its new store-of-the-future format up and running by next June, according to remarks made on Oct. 17 before the New York Society of Security Analysts by company president Dennis Stults.

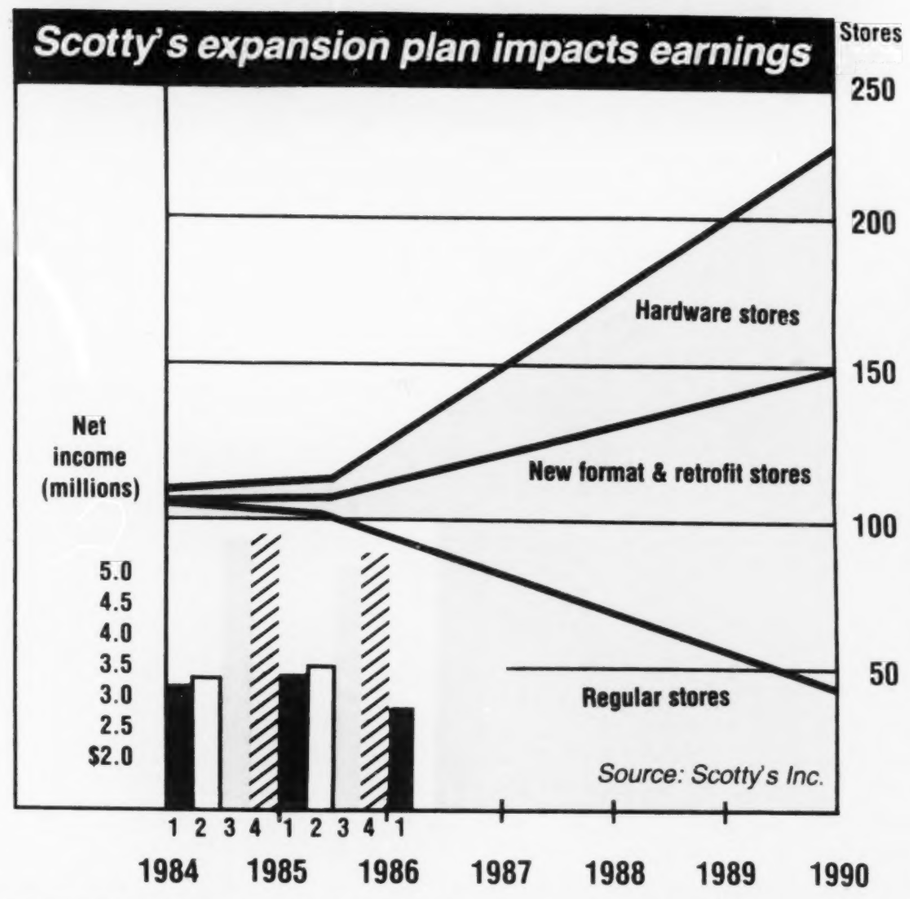
Stults also said he plans to have from 18 to 20 of the company's hardware stores open by the end of the 1986 fiscal year, which concludes June 30, 1986.

However, operating expenses in conjunction with the new store expansion represented a primary cause of the company's drop in net earnings for its first fiscal quarter, which ended on Sept. 28 of this year, according to Harold W. Taylor, Scotty's cfo.

The Winter Haven, Fla.-based company currently has six full-line home centers patterned after the new prototype. Plans for the next three quarters call for the building of six more of the stores along with retrofitting 11 of the company's older stores into the new format. Scotty's, which moved $453 million worth of merchandise last year, now has 10 hardware units operating, according to Stults, and plans to sign leases for eight to 10 more by the end of fiscal 1986.

Responding to a query from an analyst attending the meeting, Stults dropped yet another hint that his company will, at some point, expand beyond its current boundaries. All but one of the chain's 121 stores are in the state of Florida.

"We were just looking at some out-of-state markets last week," said Stults. While the company is most interested in finding new sites within easy shipping distance of its distribution center in central Florida, Stults said that "we're continuing to study for the future" the more distant sites.



Expenses relating to Scotty's store expansion are beginning to be felt. Earnings declined in each of the last three quarters.

In explaining the first quarter decline in net income, Taylor told analysts that the capital invested by the company for its expansion campaign represented "an investment in the future."

"We do not capitalize preopening expenses," added Richard Martineau, treasurer and controller for Scotty's. "They hit the profit and loss statement right away."

Scotty's reported net income for the quarter of $2,831,000, down by 17% from the $3,416,000 for the same three months of the previous year.

These earnings were reported on sales of $110,325,000, a figure that was up by 9% over sales of the same period in 1985. Sales at comparable stores had increased by 4.1% for the two quarters.

A review of the financials released for the company's first quarter showed that operating expenses accounted for the decline in the company's net income. Operating expenses totaled 27.2% of sales for the quarter, up from a level of 25.4% for the same quarter last year.

In contrast, it was clear that the company had made progress with the buying and pricing of its merchandise. The overall gross margin for the quarter was 31.7%, an improvement over the 30.8% of the same quarter last year.

The report for this fiscal year's first quarter was also hampered by the fact that the company had enjoyed some

(Continued on page 45)

O'Malleys drafts former Payless exec

PHOENIX — Harlon L. Seats, former executive vp of Payless Cashways, has joined O'Malleys as a consultant and Paul Conley, assistant general manager who formerly oversaw the 16-unit retail division, has resigned.

Dean A. Drake, executive vp of the O'Malleys Lumber Co., said Conley resigned at the end of September. He was a 15-year O'Malleys employee.

Drake said that Conley's position has not been replaced because Gary C. Bartholomew, a veteran Sears executive who was named to the newly created post of assistant to the general manager/stores in July, has assumed Conley's job duties.

Seats, who left Payless in April after a 19-year career at the Kansas City-based chain, is "working very closely with Bartholomew," Drake said.

Drake added that Seats arrived in late August, and while his departure date has not been set, "he doesn't expect to make his career here."

Seats' "almost-exclusive agenda" is to update O'Malleys' merchandising strategies, choosing vendor sources, recasting displays, and assisting yard workers, Drake said.

Early this year, O'Malleys hired another industry veteran, ex-W. R. Grace executive Nick Einfeld, as a full-time employee in charge of retail operations, but Einfeld left in June (*NHCN*, July 1, 1985).

Drake said that additional "changes are coming that call for further reorganization," but he did not elaborate.

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- *Electronic ordering benefits entice retailers* —**Page 33**
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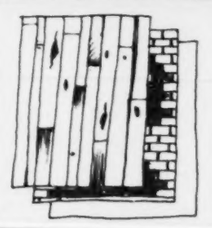
MERCHANDISING



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FINANCIAL NEWS

32 Gainers

6 Unchanged

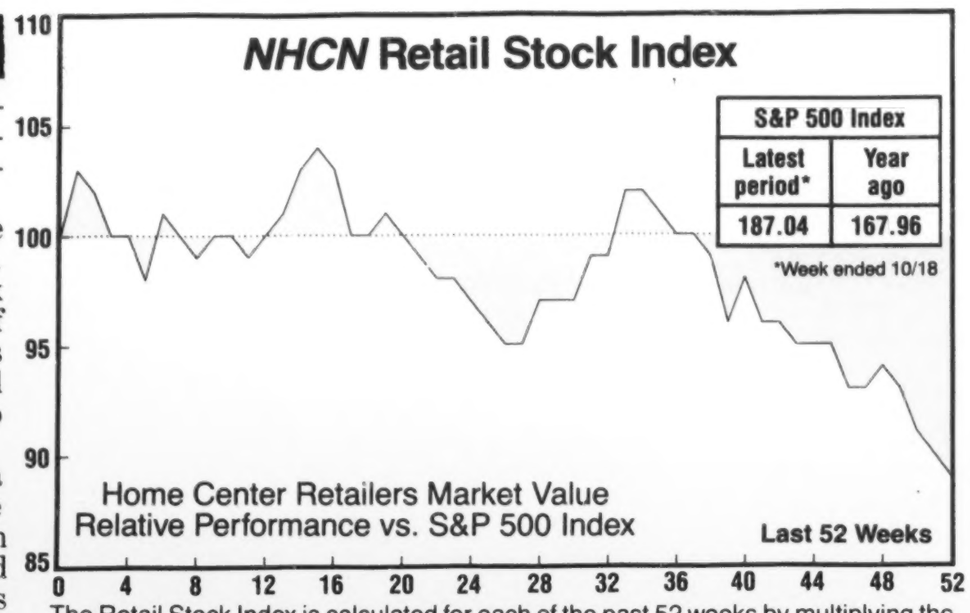
18 Losers

While percentage-price gainers out-numbered losers, 32 to 18, home center retail stock prices slipped in comparison to the Standard & Poor's 500 Index, during the two-week period ended Oct. 18. Six industry issues remained unchanged.

Home center retailers' market value registered at only about 89% of the S&P 500 Index, which closed on Oct. 18 at 187.04, up 11.4% from a year ago. No home center issue increased more than 8% during the latest two-week period. Hechinger, both A and B issues, led retailer stocks with increases of 7.6% and 7.5%, respectively. The Landover, Md., chain recently opened its first warehouse unit in Rochester, N.Y. *(see update, page 2)* and secured real estate for its first Long Island store *(NHCN, Oct. 21)*. Erb Lumber was up 6.3% and Payless Cashways gained 5.4%.

Michigan General, the parent of 96-unit Diamond Lumber, experienced a 17.9% price decline to close on Oct. 18 at $4 per share on a two-week volume of 1.7 million. Other declines were not as sharp. Home Depot was down 3.3% to $11.13 on 4.8 million shares traded. Pay 'N Pak slipped 2% to $12 on a volume of 1.2 million shares. Scotty's, which reported a 17% earnings drop in its first quarter which ended Sept. 28 *(see story, page 2)*, had a 1% fall-off in its stock price over the two-week period.

Leading the manufacturer issues were The Newell Co., up 8.7%, National Gypsum, up 7.8%, and Black & Decker, up 6.9%.



The Retail Stock Index is calculated for each of the past 52 weeks by multiplying the market value of home center issues (combined price divided by total shares outstanding) by a constant which adjusts the index to show its relation to performance of S&P 500 Index over the past 52 weeks.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Hines Ed Lumber ..... O	642	790.2	.0
Allegheny Int ..... N	16,625	665.3	5.8
DeSoto Inc ..... N	836	400.0	.0
Newell Co ..... N	1,162	237.5	8.7
Triangle Pac ..... N	944	219.7	.8

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Pope & Talbot ..... N	414	187.5	.0
Supermkts Gen ..... N	4,193	164.0	5.2
Georgia-Pacifc ..... N	23,564	163.2	.6
Grace W R ..... N	9,648	158.4	- 1.6
Black & Decker ..... N	18,770	155.5	6.9

TOP GAINERS

Company & Market	2-Weeks Ended 10-18-85 $	2-Week Price Change %	Total 2-Week Volume (100)
Newell Co ..... N	18.75	8.7	1,162
Natl Gypsum ..... N	34.75	7.8	6,129
Hechinger A ..... M	17.75	7.6	1,379
Hechinger B ..... M	18.00	7.5	1,389
Black & Decker ..... N	19.25	6.9	18,770

TOP LOSERS

Company & Market	2-Weeks Ended 10-18-85 $	2-Week Price Change %	Total 2-Week Volume (100)
Mich General ..... A	4.00	17.9	1,731
Manville Cp ..... N	5.50	- 6.4	7,830
Certain-teed ..... N	23.00	- 4.7	1,469
Potlatch Cp ..... N	35.00	- 4.4	1,237
Boise Cascade ..... N	41.63	- 3.8	6,826

National Home Center News®

HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended 10-18-85 $	Price: 2-Weeks Change Amt. $	Price: 2-Weeks Change Pct. %	Price: 2-Week Range High $	Price: 2-Week Range Low $	Price: 52-Week Range High $	Price: 52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	Volume: 2-Weeks Shares Traded % Out %	Volume: 12-Week Avg. Vol. As % Out %	Volume: Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %
Retailers														
Boise Cascade ..... N	41.63	- 1.63	- 3.8	43.50	41.13	51.00	37.00	6,826	2.51	1.30	93.1	22.7	1.90	4.6
Color Tile ..... M	19.00	.75	4.1	19.63	18.00	20.00	15.25	4,297	4.63	2.00	131.5	13.1	.00	.0
Edison Bros ..... N	31.75	- .25	- .8	32.13	31.38	38.25	31.00	224	.22	.51	- 56.9	12.9	1.60	5.0
Erb Lumber ..... M	25.50	1.50	6.3	25.50	24.00	26.50	18.00	39	.44	.18	144.4	5.7	.00	.0
Evans Prod ..... N	1.75	.00	.0	1.75	1.63	6.00	1.50	524	.38	.20	90.0	NE	.00a	.0
Forest City Ent ..... A	23.63	.88	3.8	23.75	23.00	24.88	19.38	47	.12	.13	- 7.7	28.5	.15	.6
Grace W R ..... N	38.25	- .63	- 1.6	39.50	37.38	45.00	37.38	9,648	1.99	.77	158.4	12.0	2.80	7.3
Hechinger A ..... M	17.75	1.25	7.6	18.25	16.00	23.19	15.00	1,379	1.58	1.60	- 1.3	NA	.16	.9
Hechinger B ..... M	18.00	1.25	7.5	18.00	16.00	24.19	14.81	1,389	1.03	.46	123.9	18.9	.08	.4
Hines Ed Lumber ..... O	42.00	.00	.0	42.75	42.00	43.75	36.50	642	3.65	.41	790.2	22.1	1.00	2.4
Homecrafters Whse ..... M	3.63	.13	3.6	3.88	3.25	10.00	2.63	1,108	3.92	2.05	91.2	NE	.00	.0
Home Depot ..... N	11.13	- .38	- 3.3	11.75	11.00	20.38	10.50	4,776	1.91	2.25	- 15.1	24.7	.00	.0
INTERCO Inc ..... N	63.75	- .25	- .4	66.00	62.75	73.63	56.75	6,616	4.68	3.83	22.2	16.0	3.08	4.8
K mart Cp ..... N	33.38	1.63	5.1	33.63	31.13	41.50	30.63	24,531	1.96	1.36	44.1	10.1	1.40	4.2
Lowe's Cos ..... N	22.25	1.00	4.7	22.88	20.75	31.13	20.75	5,947	1.64	.84	95.2	13.2	.36	1.6
Mich General ..... A	4.00	- .88	- 17.9	5.00	3.63	8.13	3.63	1,731	1.53	1.10	39.1	NE	.00	.0
Natl Lumber ..... M	5.50	.25	4.8	5.75	5.25	7.50	4.50	101	.18	.79	- 77.2	23.9	.00	.0
Pay N Pak ..... N	12.00	- .25	- 2.0	12.50	11.88	16.13	11.50	1,182	1.18	1.22	- 3.3	13.3	.64	5.3
Payless Cash ..... N	14.75	.75	5.4	15.00	13.75	23.38	13.75	9,565	2.61	1.35	93.3	13.5	.16	1.1
Scotty's Inc ..... N	12.63	- .13	- 1.0	13.00	12.38	16.38	12.38	1,018	.71	.43	65.1	10.3	.52	4.1
Sears, Roebuck ..... N	33.63	1.13	3.5	34.13	31.75	39.13	30.00	44,116	1.22	.59	106.8	9.0	1.76	5.2
Std Brd Pnt ..... N	19.88	.88	4.6	20.25	18.75	23.88	18.00	1,708	1.53	1.35	13.3	11.1	.56	2.8
Supermkts Gen ..... N	43.13	2.13	5.2	44.50	40.63	48.38	29.13	4,193	2.35	.89	164.0	12.3	.48	1.1
Wolohan Lumber ..... M	6.00	.00	.0	6.25	5.88	7.25	4.50	396	.68	.50	36.0	11.8	.16	2.7
Wholesalers														
Lewis Palmer ..... M	6.75	- .13	- 1.8	7.00	6.63	9.38	6.38	413	1.06	.59	79.7	56.3	.27b	4.0
Manufacturers														
Allegheny Int ..... N	25.25	1.38	5.8	28.75	23.75	28.75	20.25	16,625	15.46	2.02	665.3	NE	1.40	5.5
Am Standard ..... N	30.25	- .25	- .8	31.00	29.63	35.38	26.75	4,888	1.25	.99	26.3	10.1	1.60	5.3
Armstrng Wrld ..... N	35.13	- .13	- .4	35.75	33.75	39.75	28.75	6,293	2.63	1.08	143.5	9.2	1.30	3.7
Black & Decker ..... N	19.25	1.25	6.9	19.88	18.00	26.88	17.25	18,770	3.73	1.46	155.5	16.0	.64	3.3
Certain-teed ..... N	23.00	- 1.13	- 4.7	24.75	22.38	28.50	18.25	1,469	.77	.38	102.6	10.8	.70	3.0
Champ Intl ..... N	21.13	.00	.0	22.13	20.50	26.75	19.00	17,698	1.91	1.00	91.0	NE	.52	2.5
Clopay Corp ..... A	14.75	.25	1.7	15.00	14.25	22.19	11.25	67	.44	.64	- 31.3	13.3	.16	1.1
DeSoto Inc ..... N	32.25	.00	.0	32.75	31.88	37.88	31.25	836	1.75	.35	400.0	10.5	1.40	4.3
Emhart Corp ..... N	26.75	- 1.00	- 3.6	28.50	26.50	33.13	26.25	2,052	.74	.53	39.6	9.0	1.40b	5.2
Georgia-Pacifc ..... N	21.50	.13	.6	21.63	20.63	27.38	20.50	23,564	2.29	.87	163.2	20.7	.80	3.7
Insilco Corp ..... N	17.13	- .13	- .7	18.00	16.75	20.72	16.75	1,926	.98	.76	28.9	10.7	1.00b	5.8
La Pacific ..... N	19.38	.75	4.0	19.63	18.00	24.75	17.63	2,878	.81	.69	17.4	18.8	.80b	4.1
MacMiln Bldel ..... N	13.25	.38	2.9	13.25	12.75	21.81	12.75	171	.06	.08	- 25.0	24.5	.00a	.0
Manville Cp ..... N	5.50	- .38	- 6.4	6.50	5.38	8.63	5.13	7,830	3.26	2.65	23.0	2.4	.00	.0
Masco Corp ..... N	33.25	1.25	3.9	33.25	31.00	36.00	25.75	4,136	.71	.70	1.4	23.8	.64	1.9
Mor-Flo Inds ..... M	17.25	- .13	- .7	17.63	17.00	20.25	15.25	343	1.35	.71	90.1	6.5	.01	.1
Natl Gypsum ..... N	34.75	2.50	7.8	34.88	31.13	34.88	22.69	6,129	2.63	1.08	143.5	7.1	1.52	4.4
Newell Co ..... N	18.75	1.50	8.7	18.75	17.13	19.00	13.25	1,162	1.35	.40	237.5	11.0	.50	2.7
Owens Corning ..... N	34.13	1.38	4.2	34.38	32.75	37.00	30.50	2,488	.84	.82	2.4	8.4	1.40	4.1
Ply-Gem ..... A	16.13	.25	1.6	16.13	15.50	16.50	12.50	249	.68	.56	21.4	15.4	.16	1.0
Pope & Talbot ..... N	17.75	.00	.0	18.00	17.50	21.50	15.25	414	.69	.24	187.5	NE	.80	4.5
Potlatch Cp ..... N	35.00	- 1.63	- 4.4	36.88	34.13	38.13	28.38	1,237	.80	.50	60.0	14.0	1.56	4.5
Sherwin-Wms ..... N	36.88	1.88	5.4	37.25	34.38	40.00	25.50	2,956	1.30	.68	91.2	12.3	.92	2.5
SW Forest Ind ..... N	12.25	.38	3.2	12.75	11.38	17.75	11.13	3,296	3.55	1.52	133.6	NE	.00	.0
Stanley Works ..... N	29.13	.63	2.2	29.38	28.25	31.38	23.88	2,410	.87	.45	93.3	10.9	1.04	3.6
Thos Inds ..... N	18.25	1.00	5.8	18.50	17.25	19.38	15.13	369	.43	.32	34.4	10.1	.68b	3.7
Triangle Pac ..... N	32.75	.25	.8	33.50	32.13	34.13	23.00	944	2.27	.71	219.7	9.7	1.00	3.1
USG Corp ..... N	39.00	1.13	3.0	39.63	37.00	44.50	26.38	4,404	1.33	.75	77.3	6.7	1.68	4.3
Walter, Jim ..... N	34.88	1.63	4.9	35.13	32.63	39.25	28.38	6,341	3.02	1.40	115.7	7.1	1.40	4.0
Waxman Ind ..... M	11.25	.38	3.4	11.50	10.88	16.88	5.91	442	1.42	1.11	27.9	12.6	.08	.7
Weyerhaeuser ..... N	26.63	- .50	- 1.8	27.13	26.00	34.00	26.00	11,415	.88	.53	66.0	22.0	1.30	4.9

Company and Market	Financial Update: Latest Report New Report	Period	Date Ended	Latest Quarter: Revenue Amt. $Mil	Revenue Chg. %	Net Income Amt. $Mil	Net Income Chg. %	E.P.S. Amt. $	E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Revenue Chg. %	Net Income Amt. $Mil	Net Income Chg. %	E.P.S. Amt. $	E.P.S. Chg. %
Retailers															
Boise Cascade ..... N	NEW	9 mos.	09-85	934.2	- 3.0	20.3	- 37.9	.65	- 42.5	2844.5	- 2.2	85.3	- 9.4	2.84	- 12.3
Color Tile ..... M	.....	fiscal	06-85	97.8	35.5	4.0	8.1	.44	10.0	347.2	22.8	13.3	- 4.3	1.45	1.4
Edison Bros ..... N	.....	6 mos.	06-85	85.6	- 57.6	3.8	- 32.1	.38	- 29.6	362.5	- 28.5	7.7	- 50.6	.76	- 49.0
Erb Lumber ..... M	.....	6 mos.	06-85	53.8	26.6	2.4	84.6	2.60	84.4	80.9	17.2	2.0	122.2	2.20	122.2
Evans Prod ..... N	.....	6 mos.	06-85	315.3	- 18.0	(24.1)	NE	(1.82)	NE	544.6	- 14.8	(63.8)	NE	(4.77)	NE
Forest City Ent ..... A	.....	6 mos.	07-85	53.5	- 28.6	3.4	36.0	.43	34.4	127.2	1.4	3.6	414.3	.45	309.1
Grace W R ..... N	NEW	9 mos.	09-85	1758.1	6.0	25.3	- 23.6	.41	- 39.7	5246.9	7.1	102.2	- 25.1	1.96	- 30.0
Hechinger A ..... M	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	.....	6 mos.	07-85	129.3	13.0	7.2	7.5	.30	3.4	243.9	20.6	11.0	8.9	.47	6.8
Hines Ed Lumber ..... O	.....	6 mos.	06-85	79.8	3.1	1.7	112.5	1.01	124.4	129.4	2.0	.9	800.0	.53	783.3
Homecrafters Whse ..... M	.....	6 mos.	07-85	51.8	19.4	(1.8)	- 100.0	(.64)	- 100.0	97.6	22.2	(3.3)	- 100.0	(1.18)	- 100.0
Home Depot ..... N	.....	6 mos.	07-85	174.3	46.5	2.5	- 34.2	.10	- 33.3	319.3	48.6	4.4	- 38.9	.18	- 37.9
INTERCO Inc ..... N	NEW	6 mos.	08-85	644.0	- 8.1	23.2	- 4.9	1.47	- .7	1233.0	- 8.4	34.4	- 21.6	2.18	- 17.7
K mart Cp ..... N	.....	6 mos.	07-85	5460.5	8.1	74.8	- 48.2	.58	- 47.7	10444.6	13.2	133.3	- 34.1	1.04	- 33.3
Lowe's Cos ..... N	.....	6 mos.	07-85	595.6	22.8	20.9	1.5	.58	1.8	1047.9	21.1	32.8	- 1.5	.91	- 1.1
Mich General ..... A	.....	6 mos.	06-85	119.0	- 2.9	(12.7)	- 100.0	(1.13)	- 100.0	207.1	- 6.0	(15.3)	- 100.0	(1.36)	- 100.0
Natl Lumber ..... M	.....	6 mos.	06-85	36.5	9.9	.5	25.0	.09	28.6	67.9	10.0	.7	.0	.12	- 7.7
Pay N Pak ..... N	NEW	6 mos.	08-85	90.5	3.1	3.0	- 21.1	.30	- 21.1	173.1	6.7	5.1	- 17.7	.51	- 17.7
Payless Cash ..... N	NEW	9 mos.	08-85	379.4	13.4	12.4	- 3.9	.36	- 10.0	1010.0	19.7	27.0	- 2.5	.80	- 7.0
Scotty's Inc ..... N	NEW	3 mos.	09-85	110.3	8.5	2.8	- 17.6	.20	- 23.1	110.3	8.5	2.8	- 17.6	.20	- 23.1
Sears, Roebuck ..... N	.....	6 mos.	06-85	9697.1	1.3	265.5	- 25.4	.72	- 27.3	18600.0	3.2	488.8	- 14.2	1.32	- 17.0
Std Brd Pnt ..... N	.....	6 mos.	07-85	95.5	12.5	5.4	- 15.6	.48	- 15.8	176.4	8.4	10.2	- 7.3	.91	- 8.1
Supermkts Gen ..... N	.....	6 mos.	07-85	1287.3	32.1	6.1	- 61.1	1.01	14.8	2502.7	34.5	17.9	- 10.1	1.67	49.1
Wolohan Lumber ..... M	.....	6 mos.	06-85	43.4	10.7	1.3	30.0	.24	41.2	66.5	8.3	1.0	42.9	.18	50.0
Wholesalers															
Lewis Palmer ..... M	.....	6 mos.	07-85	37.5	- 6.9	.2	- 60.0	.06	- 57.1	70.5	1.6	.2	- 75.0	.06	- 75.0
Manufacturers															
Allegheny Int ..... N	.....	6 mos.	06-85	500.5	- 3.8	10.0	- 40.5	.23	- 54.0	1007.7	- 1.0	15.1	- 32.3	(.12)	- 100.0
Am Standard ..... N	.....	6 mos.	06-85	878.3	- 1.6	37.3	6.3	.95	4.4	1667.3	9.4	57.6	4.7	1.47	- 4.5
Armstrng Wrld ..... N	.....	6 mos.	06-85	429.9	5.3	32.3	19.2	1.34	20.7	806.5	1.9	50.2	- .8	2.09	2.0
Black & Decker ..... N	.....	9 mos.	06-85	371.9	- .3	(7.1)	- 100.0	(.14)	- 100.0	1278.0	21.7	36.7	- 48.2	.72	- 51.0
Certain-teed ..... N	.....	6 mos.	06-85	291.0	- 6.2	16.5	- 2.4	.84	- 1.2	543.9	- 7.6	24.7	- 5.0	1.25	- 3.8
Champ Intl ..... N	.....	6 mos.	06-85	1598.9	38.8	43.3	8.0	.42	- 36.4	3244.7	41.1	87.1	25.9	.85	- 24.1
Clopay Corp ..... A	.....	6 mos.	06-85	36.0	6.5	.0	- 100.0	.04	- 89.2	65.2	6.0	(.5)	- 100.0	(.32)	- 100.0
DeSoto Inc ..... N	NEW	9 mos.	09-85	109.2	- 4.5	4.1	- 31.7	.86	- 18.9	330.1	.3	11.3	- 29.4	2.37	- 16.8
Emhart Corp ..... N	.....	6 mos.	06-85	449.5	- 3.3	25.3	14.0	.91	3.4	869.4	- 6.1	39.4	- 9.2	1.42	- 17.9
Georgia-Pacifc ..... N	.....	6 mos.	06-85	1794.0	7.4	67.0	- 20.2	.61	1.7	3374.0	6.8	116.0	- 14.1	1.04	7.2
Insilco Corp ..... N	NEW	9 mos.	09-85	209.1	1.0	5.9	- 35.2	.30	- 41.2	637.1	5.1	22.5	- 12.5	1.20	- 15.5
La Pacific ..... N	.....	6 mos.	06-85	345.0	6.3	5.0	- 33.3	.14	- 36.4	616.0	- 2.8	7.4	- 48.3	.21	- 48.8
MacMiln Bldel ..... N	.....	6 mos.	06-85	598.0	11.9	7.8	47.2	.05	NE	1136.6	20.1	10.4	NE	(.08)	NE
Manville Cp ..... N	.....	6 mos.	06-85	500.8	9.7	20.4	12.7	.59	20.4	934.0	7.8	32.6	5.8	.84	10.5
Masco Corp ..... N	.....	6 mos.	06-85	256.0	80.3	36.3	433.8	.63	- 33.7	485.0	71.9	71.8	443.9	1.24	- 32.6
Mor-Flo Inds ..... M	.....	6 mos.	06-85	53.6	3.7	1.7	.0	.69	1.5	106.0	5.4	3.4	6.3	1.34	3.9
Natl Gypsum ..... N	.....	6 mos.	06-85	443.6	- 1.3	35.5	21.2	1.52	20.6	809.4	- 3.6	61.5	15.0	2.63	14.8
Newell Co ..... N	.....	6 mos.	06-85	81.7	9.2	4.8	20.0	.53	15.2	161.2	6.8	8.0	15.9	.88	10.0
Owens Corning ..... N	NEW	9 mos.	09-85	870.5	8.0	38.9	11.8	1.31	11.0	2338.4	3.2	87.1	8.5	2.94	7.7
Ply-Gem ..... A	.....	6 mos.	06-85	42.8	- 1.6	.9	- 30.8	.22	- 38.9	83.5	1.0	2.0	- 16.7	.52	- 24.6
Pope & Talbot ..... N	.....	6 mos.	06-85	85.2	8.7	1.8	- 30.8	.30	- 31.8	168.3	6.1	4.0	- 14.9	.67	- 15.2
Potlatch Cp ..... N	.....	6 mos.	06-85	248.6	- 3.9	10.5	- 34.4	.61	- 33.7	483.3	- 5.0	22.0	- 22.8	1.28	- 19.0
Sherwin-Wms ..... N	.....	6 mos.	06-85	606.6	8.8	28.5	11.3	1.24	12.7	1098.7	7.6	34.2	11.8	1.49	12.9
SW Forest Ind ..... N	.....	6 mos.	06-85	178.8	- 14.7	(2.9)	- 100.0	(.47)	- 100.0	349.3	- 9.1	(4.5)	- 100.0	(.80)	- 100.0
Stanley Works ..... N	.....	6 mos.	06-85	311.9	6.7	19.2	6.1	.70	7.7	588.8	5.6	33.2	4.1	1.22	7.0
Thos Inds ..... N	.....	6 mos.	06-85	78.9	9.3	3.9	8.3	.47	9.3	152.8	13.1	7.1	- 7.8	.84	- 7.7
Triangle Pac ..... N	.....	6 mos.	06-85	67.1	- 9.7	4.3	10.3	1.04	7.2	129.2	- 5.0	6.9	7.8	1.66	5.7
USG Corp ..... N	.....	6 mos.	06-85	645.6	8.7	61.7	5.8	1.84	4.0	1233.9	14.9	104.2	6.5	3.12	5.4
Walter, Jim ..... N	.....	9 mos.	05-85	579.8	2.7	31.2	6.1	1.43	5.9	1664.4	- 1.7	73.3	15.8	3.36	15.9
Waxman Ind ..... M	.....	fiscal	06-85	21.3	80.5	.5	66.7	.23	76.9	82.7	98.3	2.2	120.0	.89	122.5
Weyerhaeuser ..... N	.....	6 mos.	06-85	1400.1	622.4	59.7	- 42.5	.41	- 43.8	2675.8	81.9	97.9	- 30.3	.65	- 32.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

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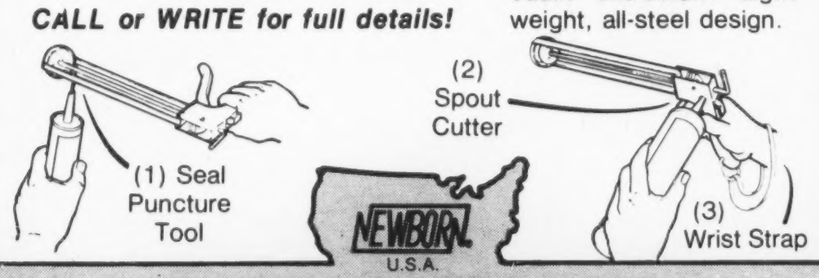

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Homecrafters to sell or close six warehouse units by end of 1985

(Continued from page 1)

The new moves brought into question the company's long term commitment to warehouse retailing. "The strategy has not yet been determined," said Scott Baily, an analyst who follows the company for Smith Barney, Harris Upham, a New York brokerage house, which makes a market in Homecrafters stock. "They've demonstrated that they can make money in the combination stores," he added, speaking of the traditional home center outlets that Homecrafters operates.

"The five remaining warehouse stores are either contributing profits toward corporate overhead or are near break even on a store operating basis," said Robert E. Stutz, coo, in a prepared statement. Homecrafters Warehouse officers did not return numerous telephone calls.

It seems clear, however, that Homecrafters will undergo a long breather before expanding its remaining five-store warehouse segment any further, especially since the company has also decided to sell its two sites in Salt Lake City, where it was planning on building two additional warehouse stores.

Bailey hailed the decision to sell stores as a positive step, in terms of the short term picture, which had deteriorated over the past year. "It's a way to cut the losses from these six stores that are losing money," he said.

The salability of the stores was brought into question by some analysts. Baily anticipated that some of the stores would sell at a slight premium, and some at a slight loss, to their values. "The objective is to break even on the sale of the six as a whole," he said. Baily added that he was forecasting Homecrafters would become a profitable company in 1986 if the company breaks even on the sales.

On the other hand, sales of the stores should reduce revenues for the chain. Each of the stores was grossing from $6 million to $8 million on an annualized basis.

Whether Homecrafters would be able to locate an early buyer for the store was a subject of speculation. An informal survey of major home center retailers in mid-October did not uncover significant interest. "We have zero interest in any of the Homecrafters stores," said Frank Denny, chairman of Builder's Square, San Antonio. "The locations are not choice." Other retailers pointed out what they considered unfavorable lease hold agreements held by the stores.

However, Bailey felt that Homecrafters would have little problem unloading three of the Denver stores and one of the Nashville stores.

"It's not unreasonable to think that in order to move those stores, they may have to go outside the industry, or take a loss," said Bo Cheadle, an analyst at Montgomery Securities, San Francisco.

"The question is, what people will be willing to pay for them," said Barbara Alexander, of Salomon Brothers, N.Y., adding that the locations should sell, given the fact that Woolco was able to sell all of its sites. But she added that Homecrafters' need for liquidity might put some downward pressure on the selling price.

The announcement from Homecrafters did not impact the stock price negatively, an indication, perhaps, that the price has either hit its bottom or that investors looked upon the news as a positive indication that the company was willing to take drastic means to achieve profitability.

Corrections

A key sentence was inadvertently removed from the story headlined, "Judge denies motions in Builders name suit," published in the *NHCN* Oct. 21, 1985, edition. The sentence made the subsequent paragraph, on page 90, unclear. The complete text follows:

Builders Square officials say that the term "Builders" is generic and is used by 48 California businesses.

Builders Emporium says it still has a right to protect its name because those retailers are for the most part independent, mom-and-pop businesses and there was no need in those cases for legal action since it was unlikely there would be any confusion.

In the Oct. 7 article on the San Bernardino/Riverside home improvement market, the dollar volume and national ranking of the area's hardware and building product store sales should have been identified as a projection for 1985.

Due to an editing error, the headline to the Home Depot story on the front page of the Sept. 9 issue wrongly stated that the chain had experienced earnings declines on a comp store basis. The headline should have stated that comp store sales had declined and chainwide earnings had declined.

Because of a typographical error in *NHCN*'s 1985 Top Brands Study in the Oct. 7 issue, the chart that ranked consumer brand awareness for water heaters omitted Rheem, which 6% of respondents mentioned in their unaided response as a brand that came to mind for water heaters. Rheem should have appeared third in the list of manufacturers mentioned.

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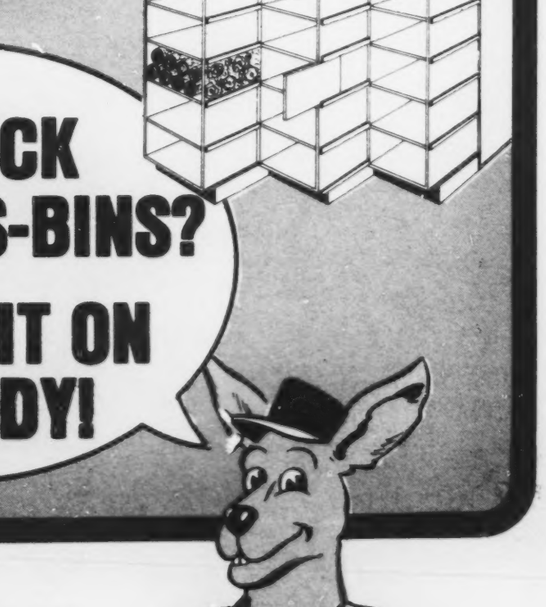

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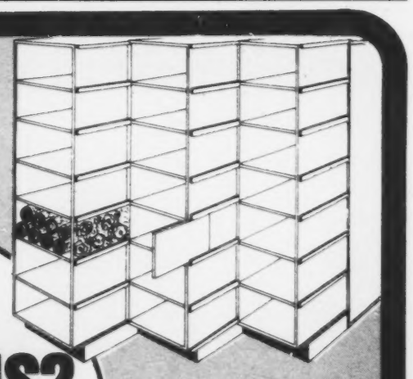

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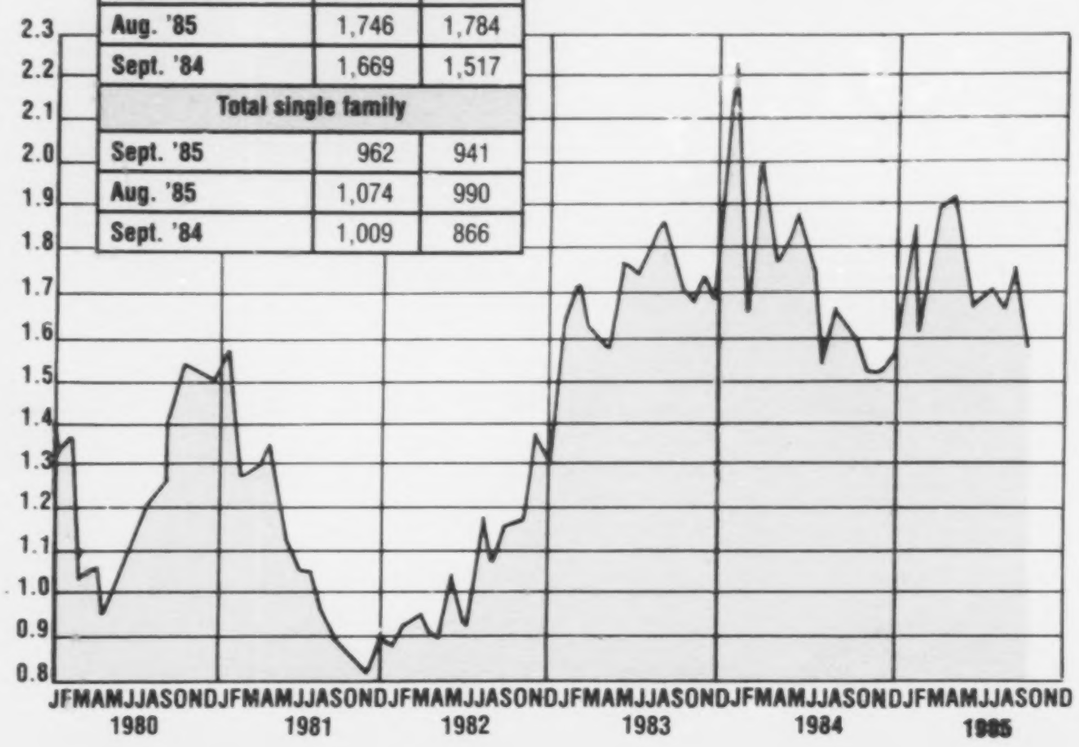
HOUSING WATCH

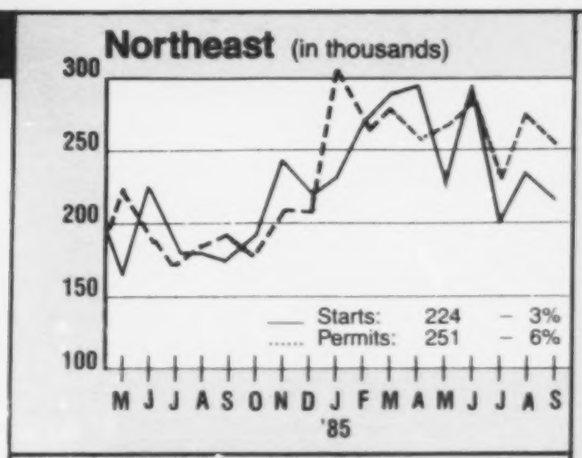
TOTAL (in thousands)	Starts	Permits
Sept. '85	1,583	1,796
Aug. '85	1,746	1,784
Sept. '84	1,669	1,517
Total single family		
Sept. '85	962	941
Aug. '85	1,074	990
Sept. '84	1,009	866

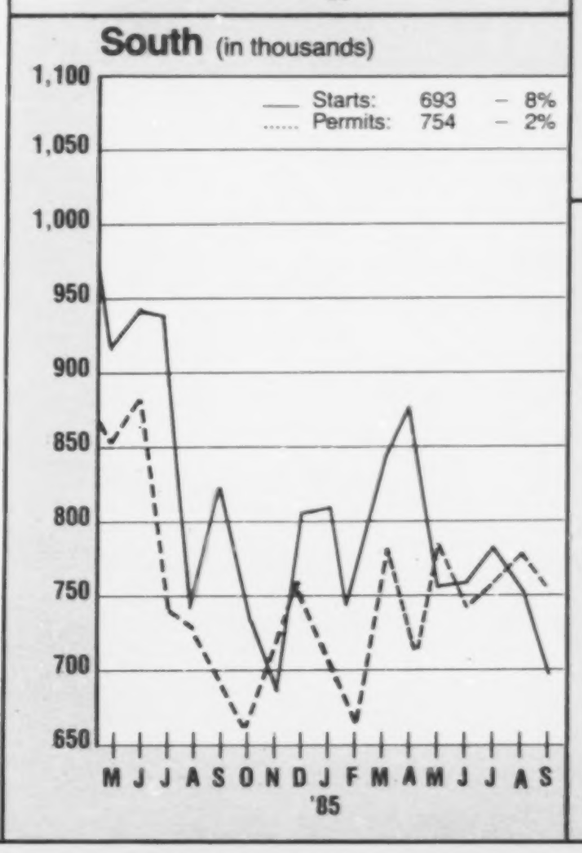
U.S. housing starts

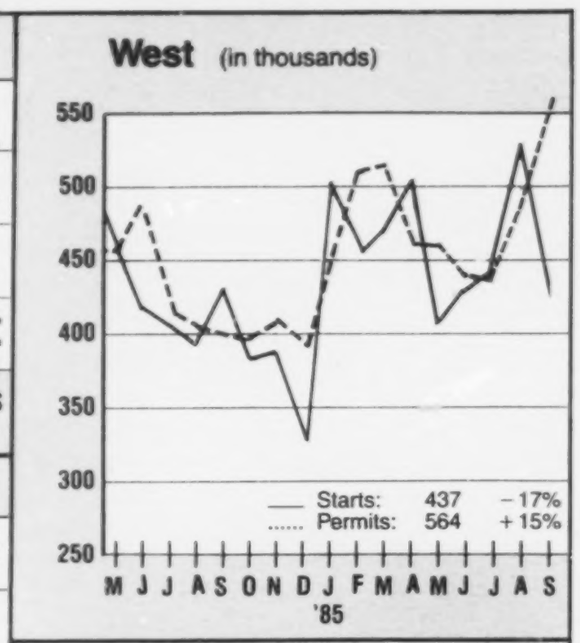
Seasonally adjusted annual rates

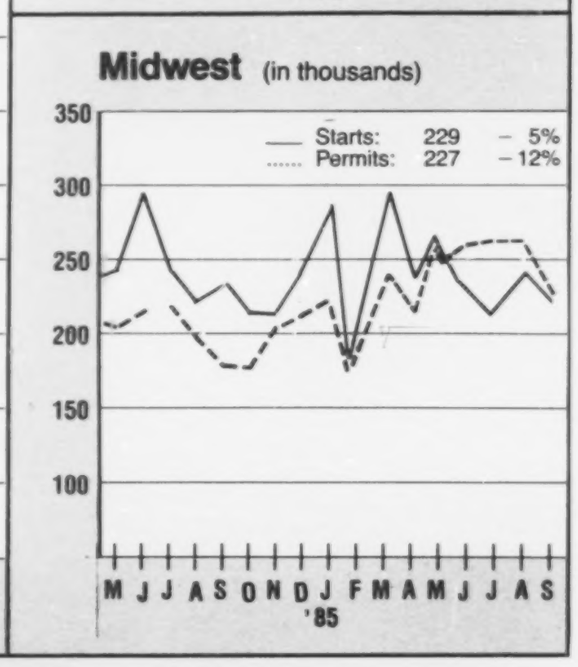


Despite the comment that "one month's statistics don't a year make" from the Mortgage Bankers Assn., economists there reported being "surprised" by September's housing starts and permits numbers. The month produced a 9% starts decline and a less than 1% increase in permit activity, a package the association reports it is studying. During September, 30-year fixed-rate mortgages averaged 12.18% compared to the 12.15% in August.









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Housing starts decline 9% in September

NATIONAL REPORT — Total housing starts for September declined 9% from August to a seasonally adjusted 1.58 million units, according to the U.S. Commerce Department. These figures were also 5% below those recorded in September 1984, prompting remarks of surprise and confusion from several economists including those at the Mortgage Bankers Assn., the organization said.

Housing permits rose modestly during this period, up 0.7% to nearly 1.8 million units. According to economists at the association, permits are a better indicator of housing activity. They are interpreting September's results as indicating a stable housing picture.

A spokesman said the association is still expecting housing starts to be about 1.75 million units this year.

September also posted declines in single-family housing starts, which fell 10% to a seasonally adjusted 962,000 units. Single-family permits also declined 5% in September to 941,000 units, seasonally adjusted.

Only one region, the West, recorded any increase at all in September. It posted a 15% increase in housing permits, to a seasonally adjusted 564,000 units.

Despite the August-to-September housing slump, September recorded a number of gains over the corresponding month in 1984. The month was 18% ahead of last year in total housing permits, to nearly 1.8 million units, and it was nearly 9% above the 866,000 single-family permits recorded last September.

In addition, all four regions recorded increases in permit activity this September as compared to September 1984.

Comparable housing starts in September, however, were a mixed bag. Both total and single-family starts were 5% below last September. But activity in the Northeast was up 16% and the West was up 1% for this year-to-year period compared to a 3% and 14% decline, respectively, recorded in the Midwest and South.

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LUMBER REPORT

Report gives ammunition to both sides in Canadian import dispute

NATIONAL REPORT — For a neutral report that drew no conclusions or recommendations, the new fact-finding examination of the U.S. lumber market by the U.S. International Trade Commission has given American and Canadian forest products producers a lot to argue about.

The 244 page document, which was completed the first week of October, has been handed to the U.S. Trade Representative's office for further examination in case the administration is drawn into the debate over whether trade restrictions should be imposed on Canadian lumber.

Tom Westcot, an I.T.C. analyst who worked on the report, said the document was designed as an impartial update of a three-year-old survey and drew no findings.

"It was basically an examination of the competitive situation in the U.S. market," Westcot said. "We were basically updating a report from 1982. Both sides of the issue are sure that there is something in there to sustain their side of the argument."

Westcot said the comprehensive study looked at such areas as production costs, delivery expenses, stumpage systems, pricing and market conditions.

Depending on who is doing the talking, the report either supports or weakens the main issue involving Canadian lumber, namely that Canadian lumber is subsidized and therefore has an unfair market advantage when imported into the U.S.

"The Americans say the report supports their arguments," said William Merkin, deputy assistant U.S. Trade Representative, "while the Canadians feel that they have been exonerated."

Bill Lang, a spokesman and economist for both the National Forest Products Association and the Coalition for Fair Canadian Imports, said his reading of the report strongly upholds arguments that American forest producers have been articulating a long time.

"From our perspective, the report was very favorable," Lang said. "The two critical issues have always been delivered wood costs and the exchange rate. Their delivered wood costs are much lower than the stumpage prices here."

But Mike Apsey, chief trade representative for the Canadian Forest Industries Council, a Washington-based lobby, argued that the neutral report supported the Canadian side as well.

In a press release, Apsey wrote that Canada was "gratified" that the ITC found no evidence of unfair trade practices by his country.

"This report should put to rest the myth that Canada enjoys any unfair advantage over American lumber because of the way Canada sets a value on its timber," Apsey said. "The report shows that much of the problem is due to problems within the U.S. industry."

Harry Horrocks, acting executive director of the National Lumber & Building Material Dealers Association and chairman of the Alliance for Affordable Housing and Lumber, said there was something in the report for everyone to arm themselves with. While Horrocks is a strong opponent of import duties, he thought the only worth of the report was to point out the differences between the two sides.

"This provides ammunition for people who are for and against the issue," Horrocks said. "It clearly demonstrates that there are many differences between U.S. and Canada on this issue.

"But import quotas or tariffs on lumber will escalate prices and American lumber would go up as well," Horrocks said. "I'm concerned because we as lumber dealers can always increase our prices, but what would that do to demand?"

Despite the various analyses different groups have toward the report, at least one organization is afraid that the Reagan administration will use the report to stymie the American lumber industry.

"The Reagan administration is looking for ways to get out of this issue," said Lang, the NFPA spokesman, "They've never supported us. What we have to do then is appeal to Congress and work with them to get the proper legislation passed."

In the meantime, the report will be used to formulate the administration's response if and when the White House becomes embroiled in the controversy.

"There's a lot of debate in Congress over this issue right now," said Merkin, the trade representative "and we feel before anybody can advance anything legislatively there needs to be some considered facts."

It was the new report's predecessor, the 1982 version, that compelled American foresters to file suit in the Department of Commerce alleging that Canada was competing unfairly.

A year later, the department ruled against the Americans and the case was dismissed.

FUTURES

Two weeks ended Oct. 10, 1985

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.

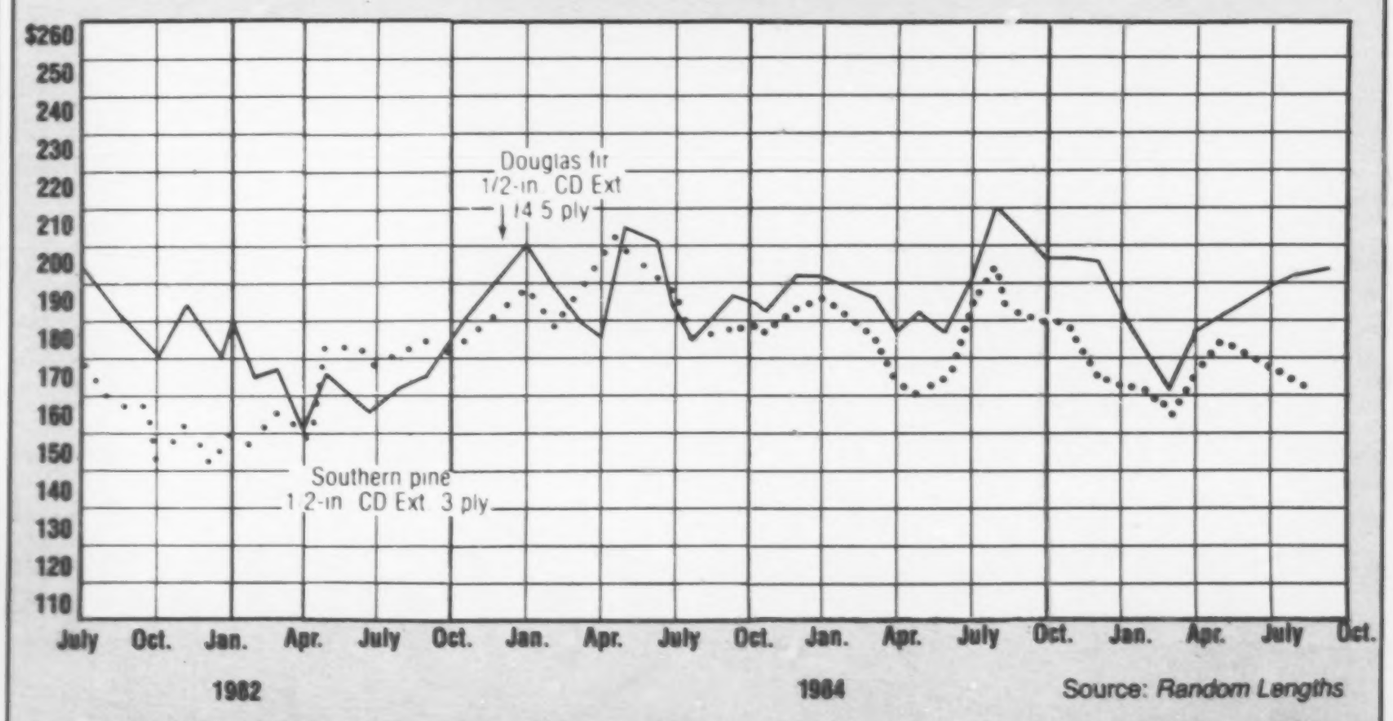
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
Nov. '85	136.90	133.70	133.90	135.10	3,062	186.10	126.50
Jan. '86	141.80	137.80	138.00	140.30	2,305	187.30	133.60
March	147.50	144.10	144.30	146.10	1,070	195.00	139.70
May	152.00	149.00	149.20	150.90	535	176.40	145.20
July	155.20	153.60	154.00	154.80	106	183.40	149.50
Sept.	158.90	156.50	157.20	157.70	67	180.00	152.90
Nov.	159.90	157.10	158.00	158.00	17	160.00	153.00

Total Contract Vol. (Through 10/10): 9,420 — **Previous Two Weeks: 15,013**
Total Open Interest (As of 10/10): 7,162 — **Previous Week: 7,551**
Cash Price: $145.04 — **Previous Week: $149.94** — **Year Ago: $131.32**

CME—Chicago Mercantile Exchange
*Figures for Thursday, Oct. 10, 1985.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

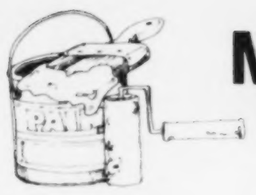
Average monthly mill prices



Source: *Random Lengths*

Paneling product prices have held relatively steady in the past two months, with slight price declines reflecting lowering demand. A thousand board feet of Douglas fir ½-in. CD Ext. 4-5 ply rose just $1 from $202 in August to $203. But a thousand board feet of southern pine ½-in. CD Ext. 3-ply dropped from $174 to $172.

C5150-6



Merchandising feature:
Paint and sundries—pp. 23-51

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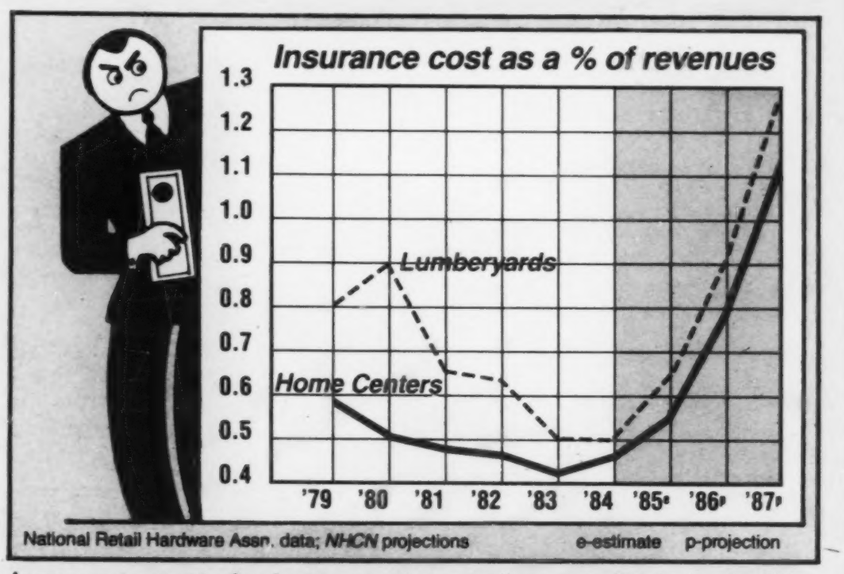


Insurance costs for home center retailers are likely to double by 1987, as insurers attempt to offset mounting net losses. In some cases, dealers are seeing 300% premium increases.

Rising insurance costs shock home center owners

By Milford Prewitt
NHCN associate editor

NATIONAL REPORT — When an arsonist torched Wheat Ridge Lumber Co.'s 21,000-sq.-ft. showroom in suburban Denver last March, company owners could not have envisioned that the $1 million fire was just the beginning of their troubles.

Just two months later, in what was called an "extremely unusual" occurrence, Wheat Ridge's insurance carrier, Transamerica Corp., canceled the two-unit independent's

(Continued on page 75)

HomeClub issues 2M shares; 18 new stores slated for 1986

Industry slump forces lowering of price to $9

By Brad Altman
NHCN associate editor

FULLERTON, Calif. — HomeClub Inc., which has opened 14 discount membership warehouses in the past two years under private ownership, plans to open four more this year and 18 outlets next year as a publicly traded company in the aftermath of its first public offering late last month.

The initial public offering of two million shares of common stock at a price of $9 per share raised $18 million, far short of the original $30 million fundraising target disclosed to *NHCN* by HomeClub president and ceo Robert McNulty this past summer (*NHCN*, Aug. 12, 1985).

However, the company's underwriting group, unable to interest Wall Street investors in buying shares in the $14 to $16 range, ultimately priced the deal at $9 per share on Oct. 28. Trading NASDAQ over-the-counter under the ticker symbol HCLB began the following day.

Security analysts said HomeClub was hurt by the timing of its offering which took place during a period on Wall Street in which several DIY industry stocks have dropped to record lows.

Nonetheless, three days after HomeClub began trading OTC, the company's per-share price had climbed to $9¾, an 8% increase from the $9 opening. McNulty said the gain proved to him that HomeClub shares are "clearly undervalued."

He predicted a "run up" in the value of the stock. He said the $9¾ price per share is about twice the company's book value—assets minus liabilities. He added, "In the long haul, the market will take the stock where it should be."

HomeClub's total expansion program in 1986 will cost from $39.9 million to $48.2 million. Company officials said they will require approximately $3 million to $13 million in addition to the proceeds from the offering to complete the full 1986 expansion program.

The company said if it doesn't get this extra funding, it may elect to trim its 1986 expansion plan by not opening one to three of the 18 warehouses scheduled for California, Washington and Colorado.

This extra capital may be obtained through a revolving credit agreement with banks or debt or equity financings, according to a revised preliminary offering circular filed Oct. 21 with the SEC. This year's expansion—the chain added a dozen units—was fueled by a $30 million private equity placement.

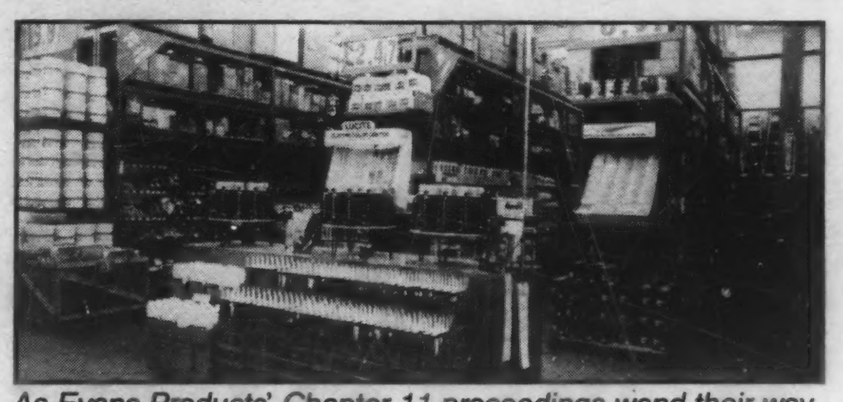
Morgan Stanley; Donaldson, Lufkin & Jenrette Securities Corp.; and Montgomery Securities, managers of the underwriting group, have an option to purchase up to 300,000 additional shares to cover overallotments. The offering could eventually raise $20 million, not including commissions.

Western show canceled; low turnout blamed

ANAHEIM, Calif. — A sparse turnout of retailers and wholesalers at this year's Western Home Center & Building Supply Dealers Show contributed to sponsor/organizer Vance Publishing Co.'s decision to cancel the fourth annual show, which had been scheduled for the Convention Center here next Oct. 16-17-18.

John Berry, director of Vance's trade show division, said the third show, held this past September (*NHCN*, Oct.

(Continued on page 75)



As Evans Products' Chapter 11 proceedings wend their way through the courts, life in its retail stores goes on. The company is continuing to refine its units' layout and merchandise mix. The Lindsley chain has recently unveiled a new prototype in its West Hollywood, Fla., store. And Grossman's is renovating some of its warehouse units along the lines of its Lawrenceville, N.J., unit with an eye toward improving customer service and increasing decorator product sales, detailed on page 43.
NHCN photo

Evans loan terms extended pending U.S. court approval

By John Caulfield
NHCN senior editor

NEW YORK — Lenders reportedly have agreed to extend the terms of a $50 million loan granted to Evans Products for the operation of its home center chains that was scheduled to expire Nov. 30. The extension is pending court approval.

Extensions and deadlines, in fact, have taken center stage in the Evans Products bankruptcy proceedings over the past few months. The U.S. Bankruptcy Court in Miami has ordered that all creditors must file any claims against Evans by Nov. 25. These claims are for monies owed by Evans prior to its bankruptcy filing on March 11.

The court has also ordered that Evans has until March 26, 1986, to file a plan for reorganization. Last month, officials for the company told the court such a plan could be submitted within four months' time.

The terms of the loan extension could not be confirmed as it

(Continued on page 75)

NEWSBREAKS

COAST-TO-COAST TO BUYOUT. Household International, parent of 1,079-unit Coast-to-Coast hardware, agreed Oct. 22 to sell its merchandising division to an investment group, in a $700 million leveraged buyout.

TRUMP SPINS OFF DIVISIONS. The Trump Group, which operates Ernst Home Centers, will spin off three divisions—Schuck's Auto Supply, Lamonts Apparel and Bi-Mart discount/drug stores. They will be operated as Northern Pacific Corp.

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Hechinger earnings pace falters as growth plan gains momentum

By Phillip M. Perry
NHCN senior editor

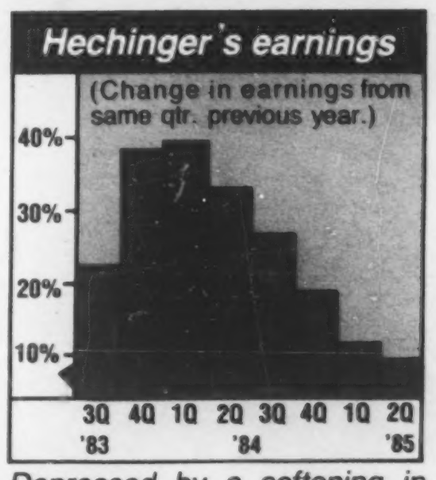
LANDOVER, Md. — While other home center chains have been hard pressed to maintain consistent performance in a volatile economy, officials of Hechinger are hoping to report the company's 43rd consecutive quarter of earnings increases later this month.

But this may be a tougher quarter than usual.

Hechinger continues to push forward with its aggressive store expansion assault. The 51-unit chain opened four units during the quarter, with each new unit sapping $2.8 million in direct preopening expenses, excluding depreciable costs. And with 10 more units slated by the spring of 1986, the company is expected to invest another $39 million in the next two quarters, digging quickly into the $132 million in cash the company has raised in recent stock and bond offerings.

All this is coming at a time when same store sales increases are softening, resulting in successively smaller increases in quarterly earnings comparisons, which have reached the single digit level. Hechinger's earnings of $7,215,000 for the second quarter that ended Aug. 3 were 8% above those of the same quarter the previous year.

(Continued on page 5)



Depressed by a softening in same store sales increases, Hechinger's quarterly earnings comparisons have fallen to the single digit level.
Source: Corporate reports; *NHCN* chart

NHCNews Briefs

Industry Update

Hines' liquidation sale approved

CHICAGO — Edward Hines Lumber Co. stockholders approved the previously announced plan of liquidation last month including the $28 million cash plus stocks sale of its 26 Chicago retail outlets to president Ed Hines and his family, according to Howell H. Howard, chairman.

Howard said 86% of the stockholders voted for the plan during a meeting that lasted 26 minutes.

Hines, who could not be reached for comment, was scheduled to close on his purchase on Nov. 1, Howard said. The chairman said that on Nov. 2, the Edward Hines Lumber Co. was to start planning a schedule for the liquidation of the rest of the company which includes nine Kindt stores, four distribution centers, the large distribution center in Chicago called "the main yard," where the company was founded, the millwork plant and Southern Mineral Corp., Howard said.

The liquidation could take as much as a year and a half.

Courtesy tops off '85 expansion

MOUNT PROSPECT, Ill. — Just six months after Courtesy Home Centers opened its 90,000-sq.-ft., unit in Skokie, the company started construction of its sixth unit, scheduled to open next March in Chicago.

Courtesy president Zangwill Munies said the new store, its second in Chicago, will be located at 5200 So. on Pulaski Road on a 10-acre site owned by the company. The store, however, will rest on just 6.5 acres with a small shopping center—of which Courtesy is a major stockholder—being built adjacent to it.

This newest store, which will be similar to the Skokie unit, concludes the Mount Prospect-based retailer's 1985 expansion schedule. Munies declined to discuss his plans for 1986.

In addition to the construction of the new store, Courtesy is adding 10,000-sq.-ft. to its corporate offices and will soon expand the capacity of its computer system to further support its future expansion.

Builders Sq. opening 5 units

SAN ANTONIO — Builders Square was scheduled to open five units in four states in November, raising the chain-wide count to 30 units and completing its 1985 store-opening program.

Mid-November openings for the K mart subsidiary were slated in Oxnard, Calif., where Builders Square is opening its second California unit in a former Zodys discount store; in Las Vegas, Nev., where Builders Square is entering the market by retrofiting a former Woolco outlet; and in Houston, where the retailer will open its eighth outlet in that market, a build-to-suit at I-10 and Federal Hwy.

On Nov. 1, Builders Square opened two units in the Chicago market, raising its store count there to five outlets. The new units are 80,000-sq.-ft. build-to-suits located in Elgin and Tinley Park.

'Juan' causes little store damage

NATIONAL REPORT — The estimated $1 billion in damage done by Hurricane Juan as it hopscotched along the Gulf Coast left home center retailers in small coastal cities with varying degrees of flood and wind damage, while leaving those in larger cities relatively unharmed.

The seven-store chain of Martin Home Centers, based in Alexandria, La., experienced flooding at stores in Lafayette, Lake Charles, Jennings and Thibodeaux during the final week of October.

In Thibodeaux, William Frost of Frost Lumber said his store sustained some wind damage that would result in several thousand dollars worth of repairs to a shed and in losses from water-damaged lumber.

A spokesman for Morrison Home Center in Houma said there was no damage to his store, but reported damage to the Chauvin Brothers store in nearby Chauvin, but there was no answer at the store to confirm that report.

Retailers in New Orleans and Baton Rouge reported no damage to their locations.

Arson Suspect in Oct. Lloyd fire

NEWTOWN, Conn. — State and local fire marshalls suspect arson was the cause of a fire last month that destroyed a Lloyd Home and Building Center store here.

The Oct. 5 blaze destroyed the building and caused an estimated $1 million in damage, according to the state fire marshall's office.

Sgt. Michael Whelan of the Connecticut fire marshall's office in Meridan, Conn., which is working with Newtown fire marshall George Lockwood on the case, said the fire was of a "very suspicious nature. It's still under investigation."

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Vol. 11, No. 24 November 18, 1985

Retail sales for building material and hardware stores stabilizing

WASHINGTON — After some early summer gains, retail sales from building materials and hardware stores are stabilizing. But dealers continue to build up their inventories, albeit slowly, in anticipation of strong business over the next several months.

Unadjusted preliminary sales from building materials and supply stores in August rose 8.3% above the same month last year to $5.105 billion. Hardware store sales increased a more modest 3.6% compared to the same period in 1984 to $868 million, according to data released by the Commerce Department.

Seasonally adjusted, preliminary sales in August for building materials units were $4.494 billion, a 9.1% gain over the previous year, while hardware stores' revenues grew 4% to $853 million.

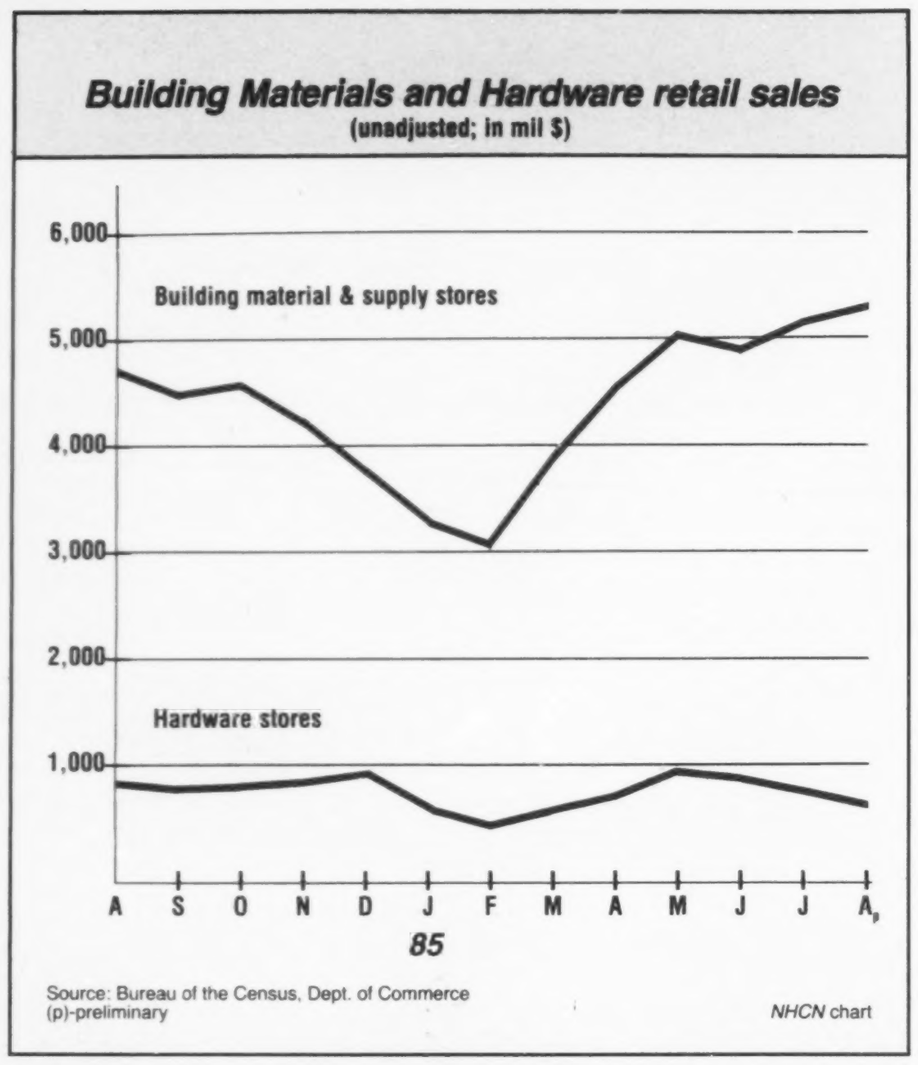
However, these figures represented only marginal gains over the previous few months, as sales from building materials and hardware stores have essentially been flat since May. In fact, hardware store sales have not changed dramatically.

Building materials retail volume, though, had been taking a nosedive from late last year until February, when the sale trend reversed itself. Over the next several months, business in this retail sector climbed briskly each month, until reaching its current leveling-off point in May at $5.024 billion.

For the first eight months of 1985, unadjusted sales for building materials and supply stores are up 6.5% over the same period a year ago to $34.846 billion. Hardware store volume through August—the latest month reported by the Commerce Department—has increased 4.9% to $6.534 billion. On a seasonally adjusted basis, building supply sales jumped 6.4% to $34.815 billion, while hardware store revenue rose 4.9% to $6.641 billion.

It does seem that retailers are optimistic about the sales prospects, if inventory levels are any indication of projected future sales. Preliminary end-of-year inventory levels for building material, hardware, garden supply and mobile home dealers increased in August 7.5% to an unadjusted total of $13.005 billion. Seasonally adjusted, inventory levels for these dealers increased 7.6%.

The Commerce Dept. does not break out inventory levels for individual retail sectors.



Fluctuations in the retail building products market appear to have subsided as industry store sales level off.

Likes dismissed by Hager after 32 yrs.

ST. LOUIS — Henry Likes, who had been employed at Hager Hinge Co. here for 32 years, was dismissed from that company effective Oct. 28.

Likes, 57, was the company's senior vice president of sales at the time of his departure. He declined to comment about the company's action "on the advice of my attorney."

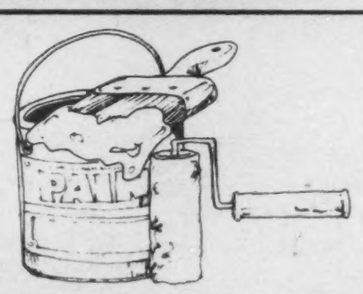
Rusty Hager, Hager Hinge's president, also refused to say why Likes was let go, except to note that the company was preparing a statement about the circumstances for release over the next few weeks.

Likes is one of the best-known executives in the hardware industry, and has been very active with the American Hardware Manufacturers Assn. He served as AHMA's president for 1983 and 1984, and currently sits on its board of directors.

In a telephone conversation with *NHCN*, Likes said he did not have another job lined up.

Highlights in this issue

MERCHANDISING



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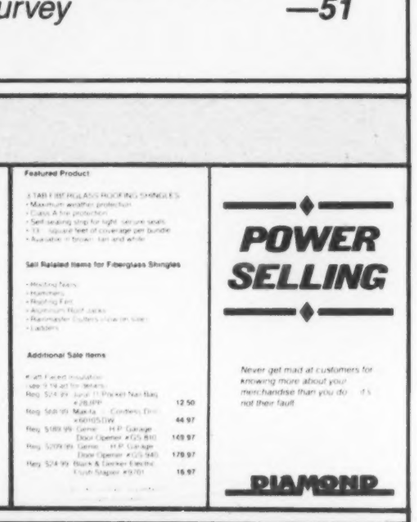

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Mid-Cape alters course to fill sales

DIYers lured to buffer pending building decline

By Ken Schept
NHCN executive editor

SO. DENNIS, Mass. — Mid-Cape Home Centers executives designed the $500,000 addition to their store here to address two threats: the potential decline in building on Cape Cod and increasing incursions from off-Cape competitors.

Another threat, however, was not anticipated—Hurricane Gloria. A half hour before the grand opening planned for 8 a.m., Saturday, Sept. 28, power was still off.

"About five minutes to eight the power came on," said Maurice St. Germain, the store manager. "It gets tough putting up decorations in the dark."

For a company founded by a New England sea captain 90 years ago that in 1982 was listing badly from the weight of an ill-conceived expansion plan, the power outage proved to be a minor glitch. Sales from the opening weekend were well over $100,000, a substantial performance, according to gm Doug Bohannon.

Indeed, the new prototype, and the on-going strategy it reflects, reveal just how neatly the company has righted itself.

Mid-Cape produced $39 million in sales from its eight stores last year, up 24% from a year earlier, and brought about 2% to the bottom line after taxes. Sales should be ahead this year, with profits remaining strong, according to William D. Durgin, vp-treasurer.

In addition, the comapny owns all of its locations but one, which means that significant assets—about 40 acres of prime Cape Cod real estate—are not shown on the balance sheet.

With locations that cover Cape Cod plus Nantucket, Martha's Vineyard and the Plymouth area; six outside salesmen; a fleet of about 50 trucks; a truss plant and a component home manufacturing division, which produced 8% of company sales last year, Mid-Cape would seem well positioned to benefit from the Cape Cod housing boom that saw starts reach a record 4,900 in 1984 compared with 2,585 in 1980.

A potential building decline and off-Cape competition have prompted Mid-Cape Home Centers to reposition for a heavier share of the DIY market, which includes prominent displays of appliances (above). Doug Bohannon, gm (inset), hopes such emphasis will double sales. NHCN photos

However, Cape Cod is changing. Overdevelopment is causing some municipalities to impose construction moritoriums that are expected to eventually slow building activity (*NHCN* June 17). For Mid-Cape, which derives 75% of its sales from contractors, a slow down in growth on the Cape has major strategic implications.

Like many building material retailers large and small, Mid-Cape has been turning to its repair and remodeling business as a hedge against sagging housing starts.

"A lot of homes that were built her in the 60's and 70's now need updating," said Bohannon.

The effort to capture that potential business was clearly taken another step in the So. Dennis store, which was increased in size by about a third to 22,000 stock sq. ft., making it the chain's largest unit. About 22,000 stock keeping units are carried compared with Mid-Cape's more typical 14,000.

A 14,000-sq.-ft. addition has an 18-ft.-high ceiling and is brightly lit with mercury vapor fixtures. It is adjacent to the original 7,500-sq.-ft. showroom, the basement of which had also been used to display merchandise but is now used just for storage.

The So. Dennis store does about $1 million per month in sales but, because of the strong builder orientation, about two-thirds of that volume is derived from lumber and building materials, which are stocked in the

(Continued on page 74)

Cost barely edges out 'pleasure factor' in DIYers' preference to pursue projects

Why homeowners undertake home improvement, repair and remodeling projects themselves:

	DIY ability				
	Total answering (1,506)*	Beginner (106)*	Intermediate (628)*	Advanced (617)*	Expert (126)*
It saves money; I don't have to pay for someone else's labor	88.5%	86.8%	88.7%	89.0%	92.7%
I enjoy doing the work myself	83.9	56.6	80.9	92.5	87.3
It increases the value of my home	60.1	45.3	57.8	64.0	68.3
It's a learning experience; makes me a more capable and knowledgeable homeowner	60.1	59.4	67.0	61.1	26.2
It helps keep my home in its best condition	58.4	39.6	54.3	64.7	66.7
The money I save from doing the work myself enables me to buy better quality materials	57.7	37.7	53.5	64.7	65.9
It lets me personalize my home to suit my lifestyle	56.2	40.6	52.7	61.1	64.3
I can do it faster myself than by hiring someone	25.1	12.3	20.2	28.5	46.0

Source: *New Shelter Magazine*, Rodale Press Inc. *NHCN* chart *number of those polled responding to the question

While saving money topped the list of DIYers' criteria in undertaking a project, other factors, such as enjoying the work, and gaining knowledge, ranked relatively high.

NEW YORK — A major new study of the nation's most serious DIYers reveals a number of surprising reasons beyond the desire to save money why homeowners tackle home improvement jobs themselves.

It also provides elaborate data on past and present home improvement activity among those consumers, and delineates to what degree the cost of a project becomes a factor in a person's doing the job. More important, the study breaks down its responses by the homeowners' shopping frequency, their perceived DIY expertise, their age, household income and geographic locale.

The 411-page study, recently published by Rodale Press's *New Shelter* magazine, polled that publication's subscribers and was able to use a remarkably high 2,319 responses. The survey details consumer ownership and/or purchases of literally hundreds of hard lines and building products, and relates buying activity to a person's DIY proclivities.

It also shows how, even among those consumers who hire a contractor to do a job, a high percentage select which product or brand name is used and which manifests a level of DIY involvement not usually tracked in studies about home improvement.

In a joint research agreement with *National Home Center News*, *New Shelter* broke down its statistics to track specifically the 1,648 readers who identified themselves as home center shoppers. Over the next several months, *NHCN* will publish some of these results within ap-

(Continued on page 76)

Show expansion decision set for Jan. 10: AHMA

McCormick wing may not be ready

SAN FRANCISCO — The American Hardware Manufacturers Assn. will decide by Jan. 10 whether its August National Hardware Show in Chicago will be expanded into the new 533,000-sq.-ft. addition to the McCormick Place exhibition hall, which is now under construction.

AHMA executive director, William Farrell, told delegates to the National Hardware Convention, held here last month, that construction delays could force containment of the show to the existing McCormick facility.

If the new building, known as McCormick North, is available, the show will be restructured by grouping product categories for the convenience of buyers, Farrell said.

The lawn and garden division will move to the new facility, mostly the upper floors, while hardware and building materials will be housed in the current McCormick building, Farrell said.

He also revealed that the association will be exploring the possibility of developing another annual event. A meeting between AHMA representatives and executives of the Home Center Institute is expected to be the first step in its development. The meeting is planned for sometime this month.

A new event and an expanded August show suggest an industry that is growing rapidly and, in fact, surviving in a rapidly changing industry, seemed to be the theme of the National Hardware Convention, which was held Oct. 20 to 23.

The AHMA co-sponsored the convention with the National Wholesale Hardware Assn. About 1,600 delegates attended, amid a note of reconciliation sounded by out-going AHMA president Robert W. Brady.

"Some of the friends I have made in my 30 years in the business are not here today," he said in his address. "And some of them are among the victims of the change we are undergoing.

"I think we are all talking again," he added later, "and that there is a real awareness that we need each other and that, by working closely together, we mutually benefit."

It has become apparent, said Brady, "that no one type of retailer is going to satisfy the wants of all customers." He added that, "For some, price will be the dominant factor in assessing value; for others, quality and service; for some, brand name; for others, convenience."

Speakers at the convention's general session addressed the need to go beyond price in marketing a product, to differentiate an item with a variety of value-added services.

D. Bruce Merrifield Jr., president of Merrifield Consulting Group, suggested that most products are really commodities and therefore the extra services are the products' distinguishing characteristics. In fact, said Merrifield, probably only 5% to 10% of buyers select a product for price alone.

He noted that some retailers have become vulnerable to "strip and shop" activity by consumers who tap full-service operations for product information but spend their money at price outlets. He offered ways to protect against this phenomenon by, for instance, putting a value on the information and charging for it.

Merrifield, who owns a wholesale company, argued that the value-added services a wholesaler provides, such as reducing the retailer's carrying costs and paperwork, can often

(Continued on page 76)

Home centers rated first stop to shop by Houston DIYers

By Laura Liebeck
NHCN field editor

HOUSTON — Although Houston has a largely flat economy due mostly to a depressed energy industry, the mood among home center retailers here is optimistic.

And while the five-unit Walker-Kurth failed earlier this year and Boise Cascade, with 10 local outlets is withdrawing by next year, retailers continue to invest their time and money in Houston.

Builders Square just opened its ninth unit here and plans to open two more; The Home Depot entered the market with four stores in May and plans at least another three for the city; Handy Dan has 22 outlets in Houston with several more on the way; Furrow added three this year for a total of 13; and Olshan's, a local independent, opened its second store this year.

This activity coincides with the latest findings of a consumer survey done for *National Home Center News* by Leo J. Shapiro & Assoc., Chicago.

The report, which polled 1,482 people who spent more than $40 last year on home improvement products in seven active home center markets—Houston, San Bernardino, Phoenix, Chicago, Columbus, Long Island and Virginia Beach—revealed the following:

- Houston is a really strong home center market. Seven out of 10 consumers polled in the study reported that when they need home improvement products, they go first to a home center. Also, hardware and discount stores are weak performers in this market for DIYers, but, as usual, Sears is a strong contender;
- Given the city's sprawling terrain and notorious traffic congestion, location was the most important factor in securing customer business;
- The company with the most number of stores in the market, Handy Dan, with 22 locations, is the retailer Houston residents go to most often to make their home improvement purchases;
- Six out of 10 Houston consumers said they would spend less on home improvement products next year and of the one-third who said they would do a DIY project in the next 12 months, 61% said no particular store is likely to get more of their money than another;

(Continued on page 76)

FINANCIAL NEWS

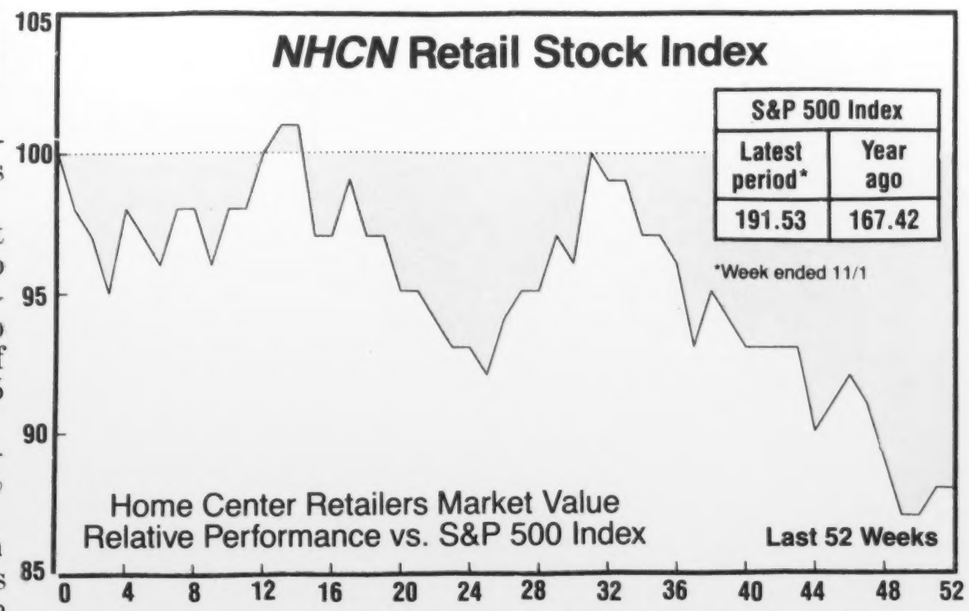
33 Gainers
6 Unchanged
17 Losers

Gainers outnumbered percentage-price losers, 33 to 17, with six stocks unchanged on the Home Center Industry Market Summary for the two weeks ended Nov. 1.

Home center issues held steady in relation to a general market rally that boosted the Standard & Poor's 500 Index to 191.53, up 14.4% over its year-ago figure. However, the home center price gainers were dominated by manufacturers and suppliers to the industry. Manufacturer stocks represented the top 13 price gainers for the period. Scotty's, up 3% to $13 on a two-week volume of nearly 1.6 million shares, was the only home center retailer among the top 15 gainers.

Homecrafters Warehouse, which plans to close or sell all four of its warehouse outlets in Denver and two in Nashville (*NHCN*, Nov. 4), dropped 17.2% to $3 on 702,000 shares traded during the two-week period.

Evans Products *(see story, page 1)* was off 14.3% to $1.50 on 1.4 million shares traded; National Lumber fell 9.1% to $5 on a two-week volume of 388,000; Payless Cashways was off 6.8% to $13.75 on over 12 million shares traded; Wolohan Lumber slipped 4.2% to $5.75 on 334,000 shares traded; and Home Depot was off 3.4% to $10.75 on a two-week volume of 3.4 million shares.



The Retail Stock Index is calculated for each of the past 52 weeks by multiplying the market value of home center issues (combined price divided by total shares outstanding) by a constant which adjusts the index to show its relation to performance of S&P 500 Index over the past 52 weeks.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Forest City Ent ..... A	1,080	709.1	- 1.6
Pope & Talbot ..... N	1,549	529.3	11.3
Evans Prod ..... N	1,432	333.3	- 14.3
SW Forest Ind ..... N	6,619	302.8	8.2
Grace W R ..... N	14,963	285.0	- 1.0

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
DeSoto Inc ..... N	769	265.9	.0
Newell Co ..... N	1,398	252.2	6.7
Potlatch Cp ..... N	3,165	249.2	2.9
Std Brd Pnt ..... N	5,736	240.4	.6
Georgia-Pacifc ..... N	29,837	237.2	.6

TOP GAINERS

Company & Market	2-Weeks Ended 11-1-85 $	2-Week Price Change %	Total 2-Week Volume (100)
Waxman Ind ..... M	12.75	13.3	947
Pope & Talbot ..... N	19.75	11.3	1,549
Emhart Corp ..... N	29.25	9.3	1,837
SW Forest Ind ..... N	13.25	8.2	6,619
Lewis Palmer ..... M	7.25	7.4	481

TOP LOSERS

Company & Market	2-Weeks Ended 11-1-85 $	2-Week Price Change %	Total 2-Week Volume (100)
Homecrafters Whse ..... M	3.00	- 17.2	702
Evans Prod ..... N	1.50	- 14.3	1,432
Natl Lumber ..... M	5.00	- 9.1	388
Payless Cash ..... N	13.75	- 6.8	12,095
Wolohan Lumber ..... M	5.75	- 4.2	334

National Home Center News®

HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended 11-01-85 $	Price: 2-Weeks Change Amt. $	Price: 2-Weeks Change Pct. %	Price: 2-Week Range High $	Price: 2-Week Range Low $	Price: 52-Week Range High $	Price: 52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	Volume: 2-Weeks Shares Traded % Out %	Volume: 12-Week Avg. Vol. As % Out %	Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue Amt. $Mil	Latest Quarter: Revenue Chg. %	Latest Quarter: Net Income Amt. $Mil	Latest Quarter: Net Income Chg. %	Latest Quarter: E.P.S. Amt. $	Latest Quarter: E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Year-to-Date: Revenue Chg. %	Year-to-Date: Net Income Amt. $Mil	Year-to-Date: Net Income Chg. %	Year-to-Date: E.P.S. Amt. $	Year-to-Date: E.P.S. Chg. %
Retailers																												
Boise Cascade ..... N	41.88	.25	.6	41.88	39.63	51.00	37.00	8,799	3.23	1.19	171.4	22.9	1.90	4.5	.....	9 mos.	09-85	934.2	- 3.0	20.3	- 37.9	.65	- 42.5	2844.5	- 2.2	85.3	- 9.4	2.84	- 12.3
Color Tile ..... M	19.50	.50	2.6	19.63	18.50	20.00	15.25	6,233	6.71	2.08	222.6	13.0	.00	.0	NEW	3 mos.	09-85	95.0	25.8	3.3	17.9	.36	16.1	95.0	25.8	3.3	17.9	.36	16.1
Edison Bros ..... N	32.13	.38	1.2	32.38	31.88	38.25	31.00	155	.15	.26	- 42.3	13.1	1.60	5.0	.....	6 mos.	06-85	85.6	- 57.6	3.8	- 32.1	.38	- 29.6	362.5	- 28.5	7.7	- 50.6	.76	- 49.0
Erb Lumber ..... M	25.50	.00	.0	27.88	24.50	26.50	18.00	42	.47	.16	193.8	5.7	.00	.0	.....	6 mos.	06-85	53.8	26.6	2.4	84.6	2.60	84.4	80.9	17.2	2.0	122.2	2.20	122.2
Evans Prod ..... N	1.50	- .25	- 14.3	1.75	1.50	6.00	1.50	1,432	1.04	.24	333.3	NE	.00a	.0	.....	6 mos.	06-85	315.3	- 18.0	(24.1)	NE	(1.82)	NE	544.6	- 14.8	(63.8)	NE	(4.77)	NE
Forest City Ent ..... A	23.25	- .38	- 1.6	23.75	22.50	24.88	19.38	1,080	2.67	.33	709.1	28.0	.15	.6	.....	6 mos.	07-85	53.5	- 28.6	3.4	36.0	.43	34.4	127.2	1.4	3.6	414.3	.45	309.1
Grace W R ..... N	37.88	- .38	- 1.0	38.38	35.50	45.00	35.50	14,963	3.08	.80	285.0	11.9	2.80	7.4	.....	9 mos.	09-85	1758.1	6.0	25.3	- 23.6	.41	- 39.7	5246.9	7.1	102.2	- 25.1	1.96	- 30.0
Hechinger A ..... M	17.50	- .25	- 1.4	18.00	17.25	23.19	15.00	1,249	1.43	1.56	- 8.3	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.50	.50	2.8	18.50	17.50	24.19	15.00	604	.45	.42	7.1	19.5	.08	.4	.....	6 mos.	07-85	129.3	13.0	7.2	7.5	.30	3.4	243.9	20.6	11.0	8.9	.47	6.8
Hines Ed Lumber ..... O	42.25	.25	.6	43.00	42.00	43.75	36.50	276	1.57	.53	196.2	22.2	1.00	2.4	.....	6 mos.	06-85	79.8	3.1	1.7	112.5	1.01	124.4	129.4	2.0	.9	800.0	.53	783.3
Homecrafters Whse ..... M	3.00	- .63	- 17.2	3.63	2.50	10.00	2.63	702	2.48	1.88	31.9	NE	.00	.0	.....	6 mos.	07-85	51.8	19.4	(1.8)	- 100.0	(.64)	- 100.0	97.6	22.2	(3.3)	- 100.0	(1.18)	- 100.0
Home Depot ..... N	10.75	- .38	- 3.4	11.50	10.50	20.38	10.50	3,397	1.36	1.56	- 12.8	23.9	.00	.0	.....	6 mos.	07-85	174.3	46.5	2.5	- 34.2	.10	- 33.3	319.3	48.6	4.4	- 38.9	.18	- 37.9
INTERCO Inc ..... N	67.38	3.63	5.7	67.38	64.25	73.63	57.88	9,285	6.57	4.29	53.1	16.9	3.08	4.6	.....	6 mos.	08-85	644.0	- 8.1	23.2	- 4.9	1.47	- .7	1233.0	- 8.4	34.4	- 21.6	2.18	- 17.7
K mart Cp ..... N	32.75	- .63	- 1.9	34.25	32.38	41.50	30.63	43,592	3.48	1.48	135.1	9.9	1.40	4.3	.....	6 mos.	07-85	5460.5	8.1	74.8	- 48.2	.58	- 47.7	10444.6	13.2	133.3	- 34.1	1.04	- 33.3
Lowe's Cos ..... N	22.13	- .13	- .6	23.00	22.00	31.13	20.75	7,451	2.06	.82	151.2	13.1	.36	1.6	.....	6 mos.	07-85	595.6	22.8	20.9	1.5	.58	1.8	1047.9	21.1	32.8	- 1.5	.91	- 1.1
Mich General ..... A	4.00	.00	.0	4.50	3.50	8.13	3.50	3,451	3.04	.96	216.7	NE	.00	.0	.....	6 mos.	06-85	119.0	- 2.9	(12.7)	- 100.0	(1.13)	- 100.0	207.1	- 6.0	(15.3)	- 100.0	(1.36)	- 100.0
Natl Lumber ..... M	5.00	- .50	- 9.1	5.50	5.00	7.50	4.50	388	.69	.54	27.8	21.7	.00	.0	.....	6 mos.	06-85	36.5	9.9	.5	25.0	.09	28.6	67.9	10.0	.7	.0	.12	- 7.7
Pay N Pak ..... N	12.25	.25	2.1	12.38	11.75	15.88	11.50	1,227	1.23	1.12	9.8	13.6	.64	5.2	.....	6 mos.	08-85	90.5	3.1	3.0	- 21.1	.30	- 21.1	173.1	6.7	5.1	- 17.7	.51	- 17.7
Payless Cash ..... N	13.75	- 1.00	- 6.8	14.88	13.50	23.38	13.50	12,095	3.30	1.34	146.3	12.6	.16	1.2	.....	9 mos.	08-85	379.4	13.4	12.4	- 3.9	.36	- 10.0	1010.0	19.7	27.0	- 2.5	.80	- 7.0
Scotty's Inc ..... N	13.00	.38	3.0	13.00	12.50	16.38	12.38	1,564	1.10	.42	161.9	10.6	.52	4.0	.....	3 mos.	09-85	110.3	8.5	2.8	- 17.6	.20	- 23.1	110.3	8.5	2.8	- 17.6	.20	- 23.1
Sears, Roebuck ..... N	34.63	1.00	3.0	35.00	33.13	39.13	30.00	56,197	1.55	.63	146.0	9.7	1.76	5.1	NEW	9 mos.	09-85	10047.1	3.7	262.2	- 18.5	.71	- 19.3	28647.1	3.4	751.0	- 15.8	2.03	- 17.8
Std Brd Pnt ..... N	20.00	.13	.6	20.88	19.50	23.88	18.00	5,736	5.14	1.51	240.4	11.2	.56	2.8	.....	6 mos.	07-85	95.5	12.5	5.4	- 15.6	.48	- 15.8	176.4	8.4	10.2	- 7.3	.91	- 8.1
Supermkts Gen ..... N	42.50	- .63	- 1.4	43.75	42.00	48.38	29.25	2,152	1.20	.86	39.5	12.1	.48	1.1	.....	6 mos.	07-85	1287.3	32.1	6.1	- 61.1	1.01	14.8	2502.7	34.5	17.9	- 10.1	1.67	49.1
Wolohan Lumber ..... M	5.75	- .25	- 4.2	5.88	5.63	7.25	4.50	334	.57	.46	23.9	11.3	.16	2.8	.....	6 mos.	06-85	43.4	10.7	1.3	30.0	.24	41.2	66.5	8.3	1.0	42.9	.18	50.0
Wholesalers																												
Lewis Palmer ..... M	7.25	.50	7.4	7.38	6.75	9.38	6.38	481	1.24	.59	110.2	60.4	.27b	3.7	.....	6 mos.	07-85	37.5	- 6.9	.2	- 60.0	.06	- 57.1	70.5	1.6	.2	- 75.0	.06	- 75.0
Manufacturers																												
Allegheny Int ..... N	25.50	.25	1.0	27.50	24.50	28.75	20.25	8,683	8.07	2.61	209.2	NE	1.40	5.5	.....	6 mos.	06-85	500.5	- 3.8	10.0	- 40.5	.23	- 54.0	1007.7	- 1.0	15.1	- 32.3	(.12)	- 100.0
Am Standard ..... N	30.13	- .13	- .4	31.25	29.63	35.38	26.75	6,105	1.56	1.03	51.5	10.0	1.60	5.3	.....	6 mos.	06-85	878.3	- 1.6	37.3	6.3	.95	4.4	1667.3	9.4	57.6	4.7	1.47	- 4.5
Armstrng Wrld ..... N	37.38	2.25	6.4	37.88	34.88	39.75	28.75	7,338	3.07	1.18	160.2	9.2	1.30	3.5	NEW	9 mos.	09-85	446.7	13.1	28.1	23.2	1.17	23.2	1253.2	5.6	78.3	6.7	3.26	8.7
Black & Decker ..... N	19.88	.63	3.2	19.88	19.13	26.88	17.25	15,698	3.12	1.46	113.7	16.6	.64	3.2	.....	9 mos.	06-85	371.9	- .3	(7.1)	- 100.0	(.14)	- 100.0	1278.0	21.7	36.7	- 48.2	.72	- 51.0
Certain-teed ..... N	23.13	.13	.5	23.50	22.75	28.50	19.75	1,191	.63	.38	65.8	10.9	.70	3.0	.....	6 mos.	06-85	291.0	- 6.2	16.5	- 2.4	.84	- 1.2	543.9	- 7.6	24.7	- 5.0	1.25	- 3.8
Champ Intl ..... N	22.38	1.25	5.9	22.75	20.25	26.75	19.00	29,192	3.14	1.06	196.2	NE	.52	2.3	NEW	9 mos.	09-85	1330.4	17.6	37.9	- 5.7	.37	- 43.9	4575.1	33.4	125.0	14.3	1.22	- 31.5
Clopay Corp ..... A	14.25	- .50	- 3.4	15.00	14.00	22.19	11.25	114	.75	.31	141.9	12.8	.16	1.1	.....	6 mos.	06-85	36.0	6.5	.0	- 100.0	.04	- 89.2	65.2	6.0	(.5)	- 100.0	(.32)	- 100.0
DeSoto Inc ..... N	32.25	.00	.0	32.50	31.50	37.88	31.25	769	1.61	.44	265.9	10.5	1.40	4.3	.....	9 mos.	09-85	109.2	- 4.5	4.1	- 31.7	.86	- 18.9	330.1	.3	11.3	- 29.4	2.37	- 16.8
Emhart Corp ..... N	29.25	2.50	9.3	29.38	26.38	33.13	26.25	1,837	.66	.51	29.4	10.8	1.40b	4.8	NEW	9 mos.	09-85	421.2	.1	17.0	- 20.6	.61	- 28.2	1290.6	- 4.1	56.4	- 13.0	2.03	- 21.3
Georgia-Pacifc ..... N	21.63	.13	.6	21.88	20.63	27.38	20.50	29,837	2.90	.86	237.2	26.4	.80	3.7	NEW	9 mos.	09-85	1752.0	- .3	58.0	- 30.1	.52	- 29.7	5126.0	4.3	174.0	- 20.2	1.56	- 8.8
Insilco Corp ..... N	17.13	.00	.0	17.50	16.63	20.72	16.63	3,423	1.74	.83	109.6	10.7	1.00b	5.8	.....	9 mos.	09-85	209.1	1.0	5.9	- 35.2	.30	- 41.2	637.1	5.1	22.5	- 12.5	1.20	- 15.5
La Pacific ..... N	19.88	.50	2.6	20.00	18.88	24.75	17.63	6,179	1.74	.74	135.1	17.0	.80b	4.0	NEW	9 mos.	09-85	332.3	6.3	11.3	63.8	.32	77.8	948.3	.2	18.7	- 11.8	.53	- 10.2
MacMiln Bldel ..... N	13.75	.50	3.8	13.75	13.13	21.81	12.75	113	.04	.08	- 50.0	25.5	.00a	.0	.....	6 mos.	06-85	598.0	11.9	7.8	47.2	.05	NE	1136.6	20.1	10.4	NE	(.08)	NE
Manville Cp ..... N	5.50	.00	.0	5.63	5.25	8.63	5.13	7,702	3.21	1.26	154.8	2.4	.00	.0	.....	6 mos.	06-85	500.8	9.7	20.4	12.7	.59	20.4	934.0	7.8	32.6	5.8	.84	10.5
Masco Corp ..... N	34.13	.88	2.6	35.38	32.63	36.00	25.75	9,322	1.61	.68	136.8	24.4	.64	1.9	.....	6 mos.	06-85	256.0	80.3	36.3	433.8	.63	- 33.7	485.0	71.9	71.8	443.9	1.24	- 32.6
Mor-Flo Inds ..... M	17.00	- .25	- 1.4	17.25	17.00	20.25	15.25	112	.44	.58	- 24.1	6.4	.01	.1	.....	6 mos.	06-85	53.6	3.7	1.7	.0	.69	1.5	106.0	5.4	3.4	6.3	1.34	3.9
Natl Gypsum ..... N	37.25	2.50	7.2	37.50	34.50	37.50	22.69	5,438	2.38	1.09	118.3	7.1	1.52	4.1	NEW	9 mos.	09-85	468.0	4.2	35.1	24.9	1.53	26.4	1277.4	- .8	96.6	18.4	4.16	18.9
Newell Co ..... N	20.00	1.25	6.7	20.25	19.00	20.25	14.00	1,398	1.62	.46	252.2	10.3	.50	2.5	NEW	9 mos.	09-85	92.2	36.4	5.4	74.2	.60	66.7	253.4	15.9	13.4	34.0	1.48	27.6
Owens Corning ..... N	34.00	- .13	- .4	34.63	33.25	37.00	30.50	3,146	1.06	.73	45.2	8.3	1.40	4.1	.....	9 mos.	09-85	870.5	8.0	38.9	11.8	1.31	11.0	2338.4	3.2	87.1	8.5	2.94	7.7
Ply-Gem ..... A	16.00	- .13	- .8	16.13	15.50	16.50	12.50	241	.66	.45	46.7	15.2	.16	1.0	.....	6 mos.	06-85	42.8	- 1.6	.9	- 30.8	.22	- 38.9	83.5	1.0	2.0	- 16.7	.52	- 24.6
Pope & Talbot ..... N	19.75	2.00	11.3	20.25	17.50	21.50	15.25	1,549	2.58	.41	529.3	NE	.80	4.1	.....	6 mos.	06-85	85.2	8.7	1.8	- 30.8	.30	- 31.8	168.3	6.1	4.0	- 14.9	.67	- 15.2
Pottatch Cp ..... N	36.00	1.00	2.9	36.25	34.00	38.13	28.38	3,165	2.06	.59	249.2	14.3	1.56	4.3	NEW	9 mos.	09-85	239.6	- 3.8	11.3	1.8	.65	1.6	722.9	- 4.6	33.3	- 15.9	1.93	- 13.1
Sherwin-Wms ..... N	37.50	.63	1.7	38.25	36.75	40.00	25.50	2,865	1.25	.70	78.6	11.9	.92	2.5	NEW	9 mos.	09-85	578.8	4.8	29.1	15.0	1.26	13.5	1677.5	6.6	63.3	13.2	2.75	13.2
SW Forest Ind ..... N	13.25	1.00	8.2	13.75	11.63	16.63	11.13	6,619	7.13	1.77	302.8	NE	.00	.0	NEW	9 mos.	09-85	181.6	- 10.6	(2.8)	- 100.0	(.45)	- 100.0	530.9	- 9.6	(7.3)	- 100.0	(1.25)	- 100.0
Stanley Works ..... N	30.00	.88	3.0	30.00	28.63	31.38	23.88	3,205	1.15	.45	155.6	11.0	1.04	3.5	NEW	9 mos.	09-85	297.1	.8	19.4	7.2	.70	7.7	885.9	3.9	52.6	5.2	1.92	7.3
Thos Inds ..... N	18.25	.00	.0	18.50	18.00	19.38	15.13	706	.83	.29	186.2	9.8	.68b	3.7	NEW	9 mos.	09-85	79.1	- .5	4.9	14.0	.57	14.0	231.9	8.1	12.0	.0	1.41	.0
Triangle Pac ..... N	33.38	.63	1.9	33.50	32.50	34.13	23.00	450	1.08	.75	44.0	9.8	1.00	3.0	.....	6 mos.	06-85	67.1	- 9.7	4.3	10.3	1.04	7.2	129.2	- 5.0	6.9	7.8	1.66	5.7
USG Corp ..... N	39.75	.75	1.9	40.00	38.50	44.50	26.38	4,811	1.44	.76	89.5	6.3	1.68	4.2	NEW	9 mos.	09-85	657.4	3.7	65.7	38.3	1.96	36.1	1891.3	10.7	169.9	16.9	5.08	15.5
Walter, Jim ..... N	37.00	2.13	6.1	37.00	34.50	39.25	28.63	7,001	3.33	1.44	131.3	7.5	1.40	3.8	.....	9 mos.	05-85	579.8	2.7	31.2	6.1	1.43	5.9	1664.4	- 1.7	73.3	15.8	3.36	15.9
Waxman Ind ..... M	12.75	1.50	13.3	13.25	11.00	16.88	5.91	947	3.04	1.18	157.6	14.3	.08	.6	.....	fiscal	06-85	21.3	80.5	.5	66.7	.23	76.9	82.7	98.3	2.2	120.0	.89	122.5
Weyerhaeuser ..... N	27.00	.38	1.4	27.00	24.75	34.00	24.75	18,853	1.45	.51	184.3	22.3	1.30	4.8	.....	6 mos.	06-85	1400.1	622.4	59.7	- 42.5	.41	- 43.8	2675.8	81.9	97.9	- 30.3	.65	- 32.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

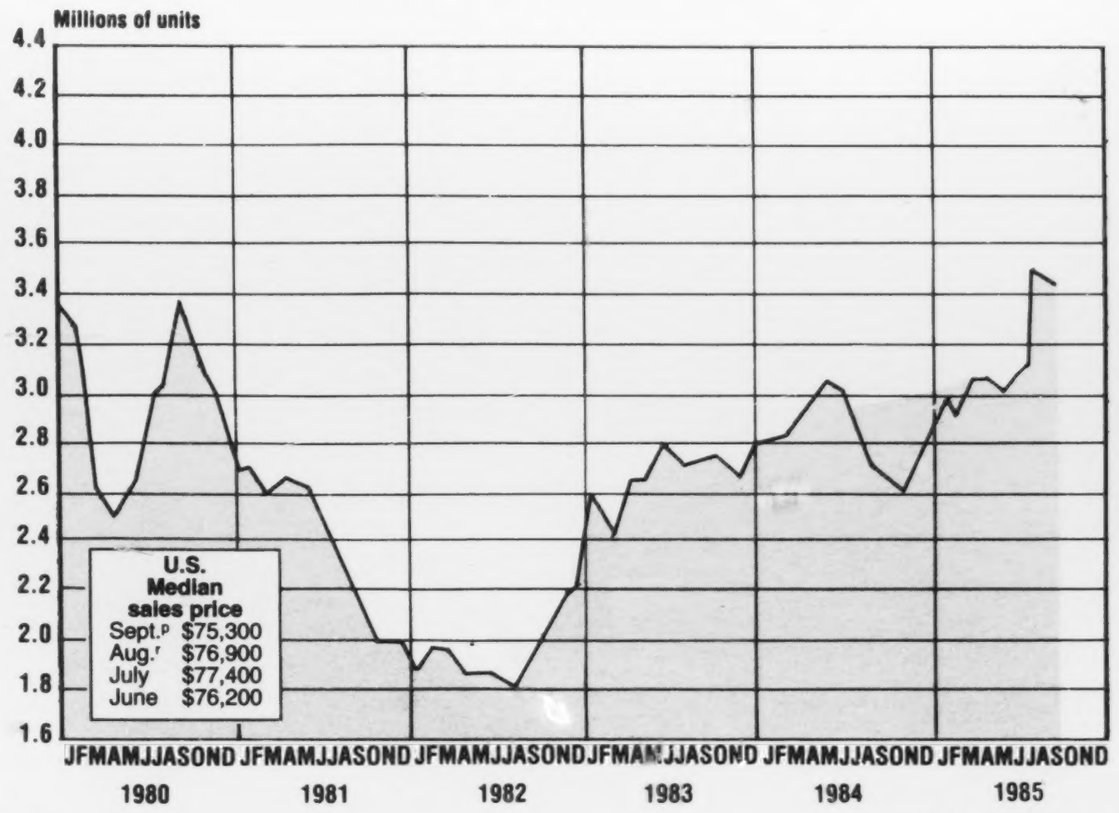
General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

HOUSING WATCH

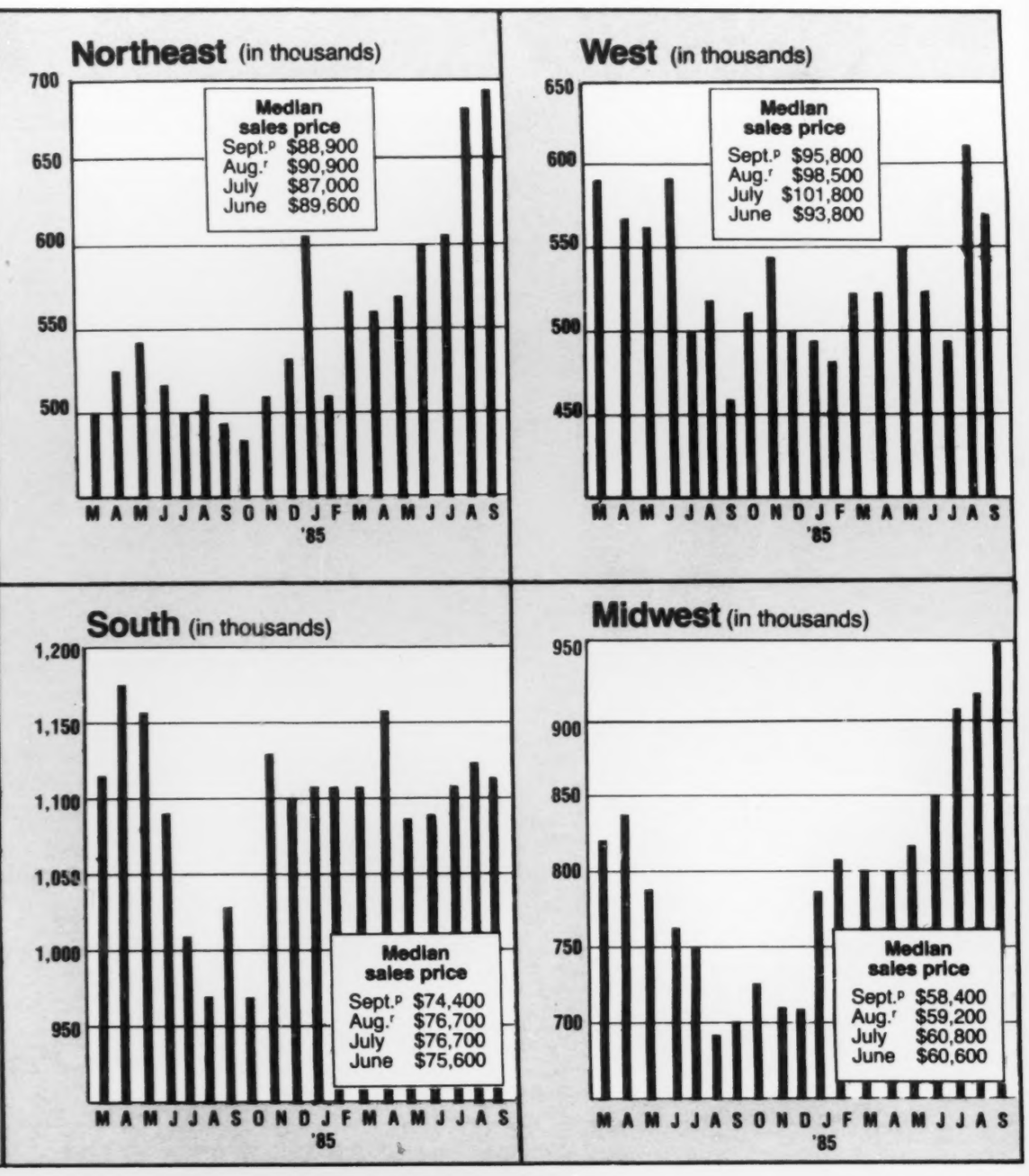
Existing single-family home sales



p = preliminary r = revised

Source: Nat'l Assn. of Realtors

Now is the best time to buy a house, according to the National Assn. of Realtors, citing September's substantial price decline on resale homes. All four regions and the U.S. composite recorded home price declines in September ranging from an $800 in the Midwest to $3,300 in the West.



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Home resales decline 1.7% in September

NATIONAL REPORT — Home resales declined 1.7% in September to a seasonally adjusted 3.44 million units, the seventh consecutive month that the sales pace has been above the three-million-unit mark, according to the National Assn. of Realtors.

And while the sales pace weakened, so did home prices. The median price for an existing single-family home in September declined 2.1% to $75,300, $1,600 less than the $76,900 recorded in August.

Jack Carlson, the NAR's chief economist and executive officer, explained that the home price declines recorded in September can be attributed "partly to a shift to smaller home purchases. Homes purchased in the fall often involve families without children who do not have the space requirements of larger families."

Despite September's sales declines, David D. Roberts, NAR president, noted that activity is still very strong. It "clearly underscores the positive impact lower interest rates are having on housing markets nationwide."

In fact, September's resales pace was 2.6% ahead of last September when the rate was 2.73 million units.

Only the Northeast and Midwest recorded sales increases in September, but all four regions charted home price declines, according to NAR figures.

The Northeast produced 690,000 units in September, seasonally adjusted, and was 38% ahead of September 1984 when 500,000 units were sold. The median priced home declined by $2,000, or 2.2%, to $88,900. Compared to last September, resale home prices in the Northeast soared 19.4%, recording the largest year-to-year increase of any region.

The Midwest, although charting a 1.1% increase in resale activity in September, to 950,000 units, seasonally adjusted, was 38% over last September's 730,000-unit resale level. Home prices here declined 1.4% to $58,400 in September, a 4.1% increase from September 1984.

LUMBER REPORT

Legislation on Canadian lumber imports provides feast for Feds

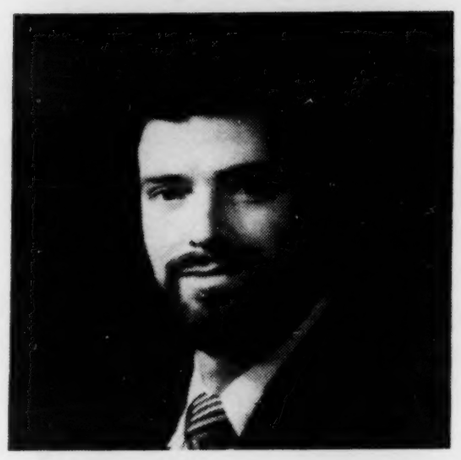
By Hawk Furman
Special to NHCN

There is a restrictionist attitude in Washington these days. Currently, 300 bills are before Congress dealing with trade restrictions. There are six bills under consideration which could lead to restrictions on Canadian lumber coming into the United States.

The three bills in the House are The Weaver Bill, The Bonker Bill and The Gibbons Bill. The Weaver Bill would set a quota for Canadian wood at 20% of the total consumption of lumber products in the United States. Canada currently supplies 32% of the lumber needs for our country.

The Bonker Bill is comprised of three parts. It would allow one year for a negotiated settlement between the governments of the United States and Canada. It would change the current contervailing duty laws so Canadian wood could be countervailed more easily. It would institute a 10% ad valorem tax on Canadian lumber one year after passage of the bill.

The Gibbons Bill (H.R. 2451)—The Natural Resource Subsidy Bill—has a "Removal Rights Provision" attached to it which, by distorting the definition of subsidy, could lead to extravagant countervailing duties to be added to the price of lumber and other wood products coming from Canada. The Gibbons proposal would compare stumpage prices (prices of standing timber) in the U.S. to Canadian stumpage prices. For example, if Canada has a stumpage price of $30 per thousand board feet and the U.S. has a stumpage price of $150 per thousand board feet, a countervailing duty of $120 per thousand board feet would be applied to the Canadian wood or the difference between stumpage prices. The "Removal Rights Provision" does not factor in the costs of logging, transportation to the mill, manufacturing costs, quality of wood, species and many other factors that make up the cost of Canadian wood before it finally goes to market. One area not taken into account is the fact that currently the U.S. lumber producers are getting a much higher return on their residual chips than the Canadian manufacturers.



'The Biggest concern is that parts of the proposed lumber tariff bills could be incorporated into a much larger super trade bill which could pass through both the House and Senate.'

—Hawk Furman

The three bills in the Senate mirror the House bills. The Baucus Bill (S 1292) is the companion bill to The Gibbons Bill. Senator McClure of Idaho has initiated a mirror bill to The Weaver Bill and Senator Baucus has introduced another bill that has the same tone as The Bonker Bill. The Canadian lumber industry is most concerned

(Continued on page 67)

FUTURES

Two weeks ended Oct. 17, 1985

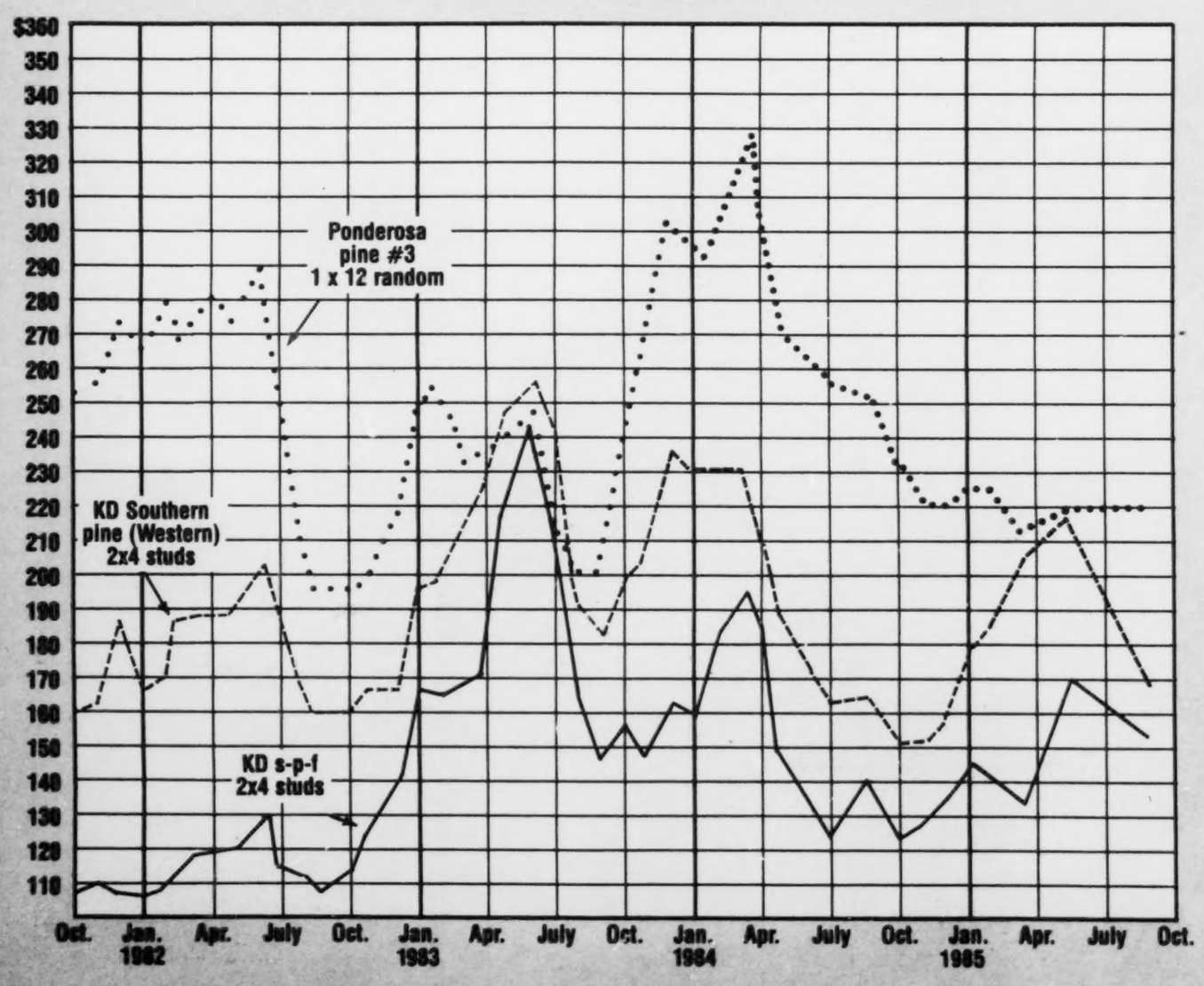
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's: $ per 1,000 bd. ft.							
Nov. '85	139.70	133.60	137.10	133.90	2,541	186.10	126.50
Jan. '86	141.80	136.50	139.70	138.00	2,962	187.30	133.60
March	147.80	142.60	146.00	144.30	1,252	195.00	139.70
May	151.20	147.70	149.60	149.20	551	176.40	145.20
July	155.00	152.50	153.70	154.00	108	183.40	149.50
Sept.	158.50	153.00	156.90	157.20	72	180.00	152.90
Nov.	159.00	156.50	156.50	158.00	43	160.00	153.00

Total Contract Vol. (Through 10/17): 10,146 — **Previous Two Weeks: 14,279**
Total Open Interest (As of 10/17): 7,529 — **Previous Week: 7,162**
Cash Price: $144.06 — **Previous Week: $145.04** — **Year Ago: $134.26**

CME—Chicago Mercantile Exchange
*Figures for Thursday, Oct. 17, 1985.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



All prices of commodity studs and boards dropped significantly during the summer months as demand diminished with declining housing starts. A thousand board feet of Ponderosa Pine No. 3, 1x12 random, dropped from $220 to a monthly September average of $207. KD Southern pine (western) dropped from $215 a thousand board feet to $196, while KD s-p-f dropped from $170 for a thousand board feet to a monthly average of $148.

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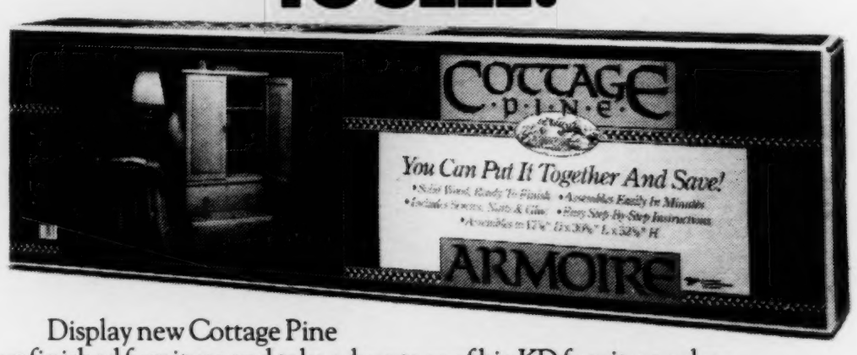

Display new Cottage Pine unfinished furniture and take advantage of big KD furniture sales. Most importantly, watch your paint and stain sales increase too, because Cottage Pine is designed to sell more than just itself. The new Cottage Pine furniture line features high impact packaging and P.O.P. that's designed for fast, impulse sales. The line displays in 16 ft. and offers a 4 drawer chest, 6 drawer dresser, armoire, nightstand and desk.

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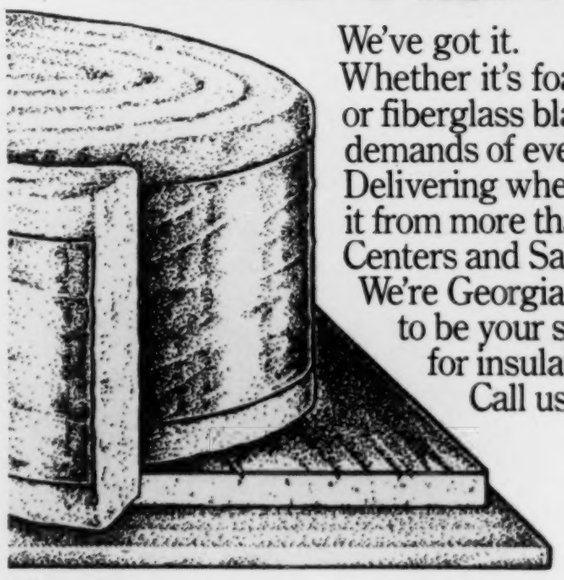

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MERCHANDISING

DIY skill plays role in where paint is bought

NATIONAL REPORT — The home center still lags behind the paint store and the department store as the place where serious DIYers shop for paint and sundries, according to a new comprehensive study on consumer buying. But, the study found, the more skilled a homeowner is in DIY, the more likely he is to buy paint products in a home center.

These and other findings about the paint category are to be found in a new study published by Rodale Press's *New Shelter* magazine, which polled its subscribers—mostly an experienced lot of DIY homeowners—on a range of home improvement topics related to purchases and DIY activity.

From these numbers, *New Shelter*, as part of a joint research effort with *NHCN*, identified those 1,648 respondents who said they were home center shoppers, and tracked their answers.

About half of these shoppers had either painted or stained the outside of their home in the past two years. Among these active DIYers, around 40% said they tended to purchase paint, stain and sundries from a paint store. Among the subgroup of respondents who said they were "expert" DIYers, 50% shopped a paint store. One in seven of home center customers having painted in the previous 24 months bought their products in a home center, a ratio that increases to 1 in 4 among those who said they were "heavy shoppers," and among those living in the western United States.

However, another quarter of the heavy shoppers also identified Sears and Penney's as places where they had bought paint.

The paint specialty store was also favored by all age groups in the study, with nearly 40% of respondents in each age breakdown saying they bought paint in this type store.

As for sundries, more than 90% of the total respondent group said they owned a brush or a roller, and three quarters said they owned a wire brush for scraping. But less then 3 in 10 said they owned a respirator mask, with 42% of the expert DIYers but only 10% of the DIY beginners claiming to have this product in their possession. A quarter of all respondents owned an air compressor, which rose to 50% among the expert DIYers.

Over the past two years, nearly 9 in 10 of all respondents had purchased a sundry item, and 8 in 10 said they had bought a brush. However, the paint roller with pan—one of the most promoted items in home improvement retailing—had been bought by under 50% of all respondents: less then one quarter said they had purchased a wire bursh. Airless paint sprayers were bought by only 14% of these home center shoppers, although one-fifth of the experts said they had purchased this product.

When asked about buying wall covering of all sorts over the previous 2 years, about 70% of the study's respondents said they had bought paint, with three quarters of the "advanced" and "expert" DIYers making the purchase. Stain ranked third behind wallpaper as the next most-frequently bought wall covering item, although less than one-quarter of all respondents, and only 13% of DIY beginners, said they purchased stain over this time period.

Of the types of paint preferred by consumers, 64% said they had bought latex paint, a percentage rising to 74% of those living in the South. More than one-quarter had bought oil-based paint.

Close to half of the study's home center shoppers had purchased some kind of outdoor protective paint, with the highest number—23%—buying wood preservative.

In the broader "walls and ceilings" category in the survey, consumers were asked about their buying plans for the next year. More than 64% of all respondents, and close to 7 of 10 in the Northeast, planned to buy interior paint over the period. But only around 23% of all home center shoppers and 14% of the DIY beginners planned to purchase stain within the following 12 months.

In this broader category, consumers were also queried about which wall covering jobs they had done inside the home. More than 7 out of 10 respondents said they had performed an interior paint job, and 90% of these said they did the job themselves.

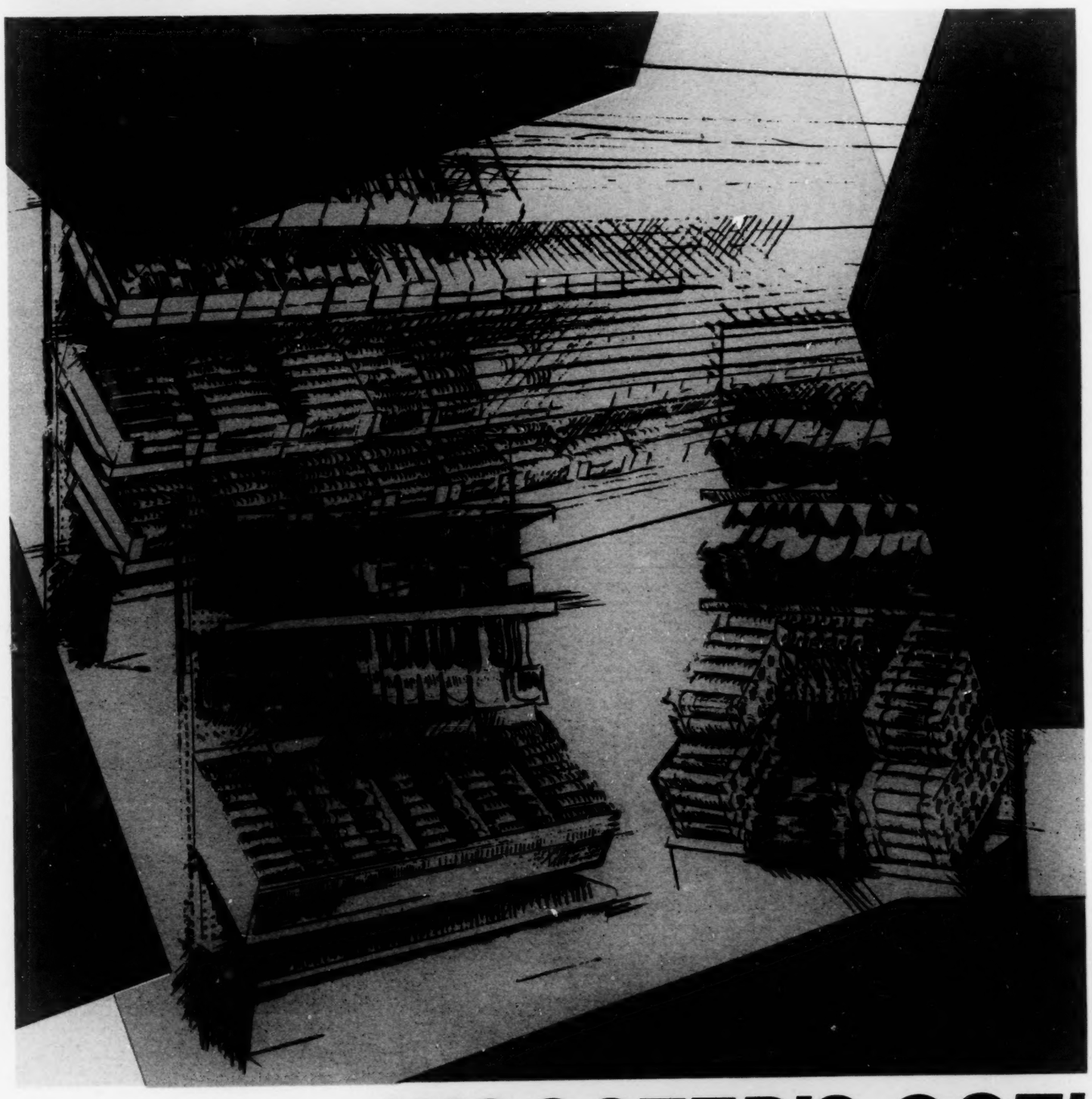
And even among those who did use a contractor for the job, close to 70% chose which interior paint would be used. Significantly, however, only half of the beginners using a contractor chose which paint was applied, while three-quarters of the "intermediate" skilled DIYers and 100% of the experts selected the paint that was used.

Paint sundries serious DIYers have purchased in the past two years

		DIY ability			
Product	Total home center shoppers (1554)*	Beginner (124*)	Intermediate (634)*	Advanced (616)*	Expert (126)*
Bought any sundries in past 2 yrs.	87.6%	80.6%	86.4%	91.2	84.9%
Paint brushes	79.0	79.8	78.2	81.8	73.0
Paint roller with pan	49.3	42.7	50.6	49.7	50.0
Wire brush	23.4	18.5	24.1	24.4	26.2
Airless paint sprayer	14.1	4.8	10.9	17.9	21.4
Respirator face mask with filter	8.3	2.4	7.3	9.9	11.9
Air compressor spray gun	5.5	0.8	4.7	5.0	10.3
Power roller	4.2	3.2	4.1	4.4	5.6
Electric heat gun	2.6	1.6	1.6	3.9	4.0
Didn't buy any	12.4	19.4	13.6	8.8	15.1

Source: Rodale Press, *New Shelter*; *NHCN* chart
*no. of home center shoppers responding to question

What You Want–



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MERCHANDISING

Retailers report growth is sundry dept.

(Continued from page 41)

dries, sometimes at the expense of suppliers' profits.

"We're seeing a lack of support for the way we do business from some paint suppliers," said Steve Bebis, paint buyer for Home Depot in Atlanta. Recently, the 44-unit chain dropped Olympic Stain as a vendor because it would no longer sell its products direct. And Bebis complained that some sundries suppliers continue to insist on two-step distribution, which is contrary to Home Depot's and other warehouses' primary method of product reception.

Leaving the distribution issue aside, home center retailers in general are making more demands, in terms of lower prices and promotional backup, on sundries suppliers.

Art Stark, director of marketing for The Lucas Group's Rubberset applicator division in Cleveland, reports that his company's margins have dropped four percentage points over the past few years.

"There's a lot of capacity out there right now, and we're feeling intense competitive pressure from dealers that has adversely affected our bottom line," he said.

Paint pads and roller covers are prominently displayed as part of the sundries lines stocked in Beaver Lumber's Lawrence, Ontario, Canada unit. NHCN photo

Michael Ace of Builders Emporium in southern California said that retailers had no choice but to push suppliers harder for lower prices. "We're all feeling the GMROI pinch," he said, referring to the product's lower gross margin return on inventory investment.

But just how long retailers can continue to prop up their paint marketing strategies on the back of their sundries business was questioned by Craig Taelman, general manager for the two-unit Circle Lumber in South Bend, Ind. "Manufacturers have to make money, too," he said. "And it does retailers no good to run hard bargains if the result is more suppliers leaving the industry because there's no profit in it."

Aided paint brand awareness

Brand	Total respondents	North	South	East	West
Dutch Boy	93.9%	92.9%	91.5%	96.6	96.8%
Glidden	93.2	95.7	94.9	94.8	93.9
Lucite	90.5	94.3	91.5	84.5	90.3
Pittsburgh (PPG)	89.9	92.9	89.8	91.4	83.9
Olympic	82.2	87.1	78.0	79.3	87.1
Red Devil	45.9	51.4	45.8	65.5	12.9
Colony	33.1	41.4	27.1	25.9	41.9
Valspar	22.2	22.9	18.6	29.3	19.4

Source: Leo J. Shapiro & Associates, Chicago
NHCN chart

Two paint brands stand out in survey

NATIONAL REPORT — In a recent study of aided brand awareness among consumers, Dutch Boy and Glidden continue to reign as the best-known home center paint brands on the market.

The study, conducted for *NHCN* by Leo J. Shapiro & Associates, also found that consumer awareness of lesser-known paint brands varied, sometimes widely, by geographic region.

Both Dutch Boy and Glidden were recognized as paint brands by more than 93% of the 218 consumers who participated in this part of the study. Dutch Boy had even higher consumer awareness among respondents in the East and West, while Glidden's name was known by more than 95% of those living in the North.

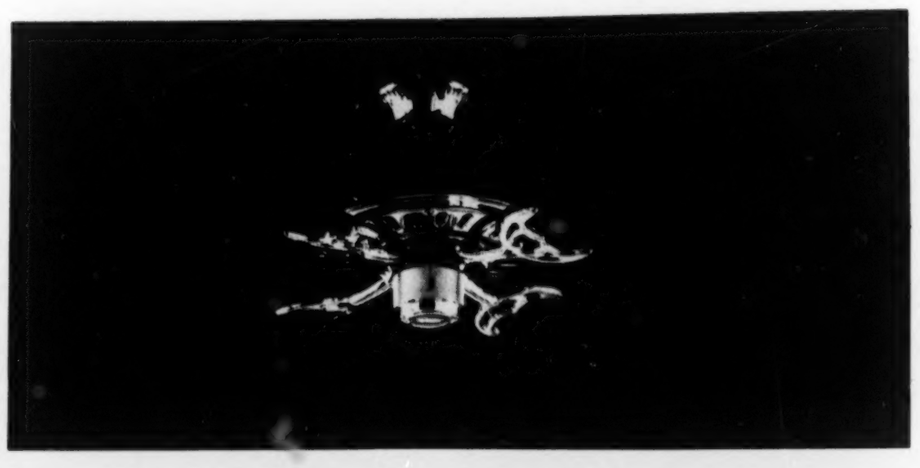
Ranking third behind these two brands, with an aided consumer response level of 90.5%, was Lucite Paints, whose reputation was consistent in the most part of the country except the East.

Pittsburgh Paints was a brand known by nearly 90% of the study's respondents and by close to 94% of those who spent between $300 to $2,000 on DIY products last year. Olympic Stain ranked fifth in aided brand awareness, with 82% of the consumers polled knowing its name. Olympic showed higher brand awareness among consumers living in the North.

Red Devil was recognized by more than 45% of the study's respondents, but its awareness quotient showed wide regional variation: two-thirds of consumers living in the East had heard of the brand, while less than 13% in the West knew the Red Devil name when asked.

One-third of those polled had heard of Colony Paints, a ratio that rises to 2 out of 5 consumers in the North, but drops to one-quarter of those in the East. Only one-fifth of all respondents who spent $40 to $299 on DIY products last year knew Colony's brand.

The brands consumers were asked about in this study were confined to those sold in home centers. The Sherwin-Williams and Sears Weatherbeater brands—which ranked first and third, respectively, among paint brand consumers could identify without prompting—were not included in the aided part of the study.



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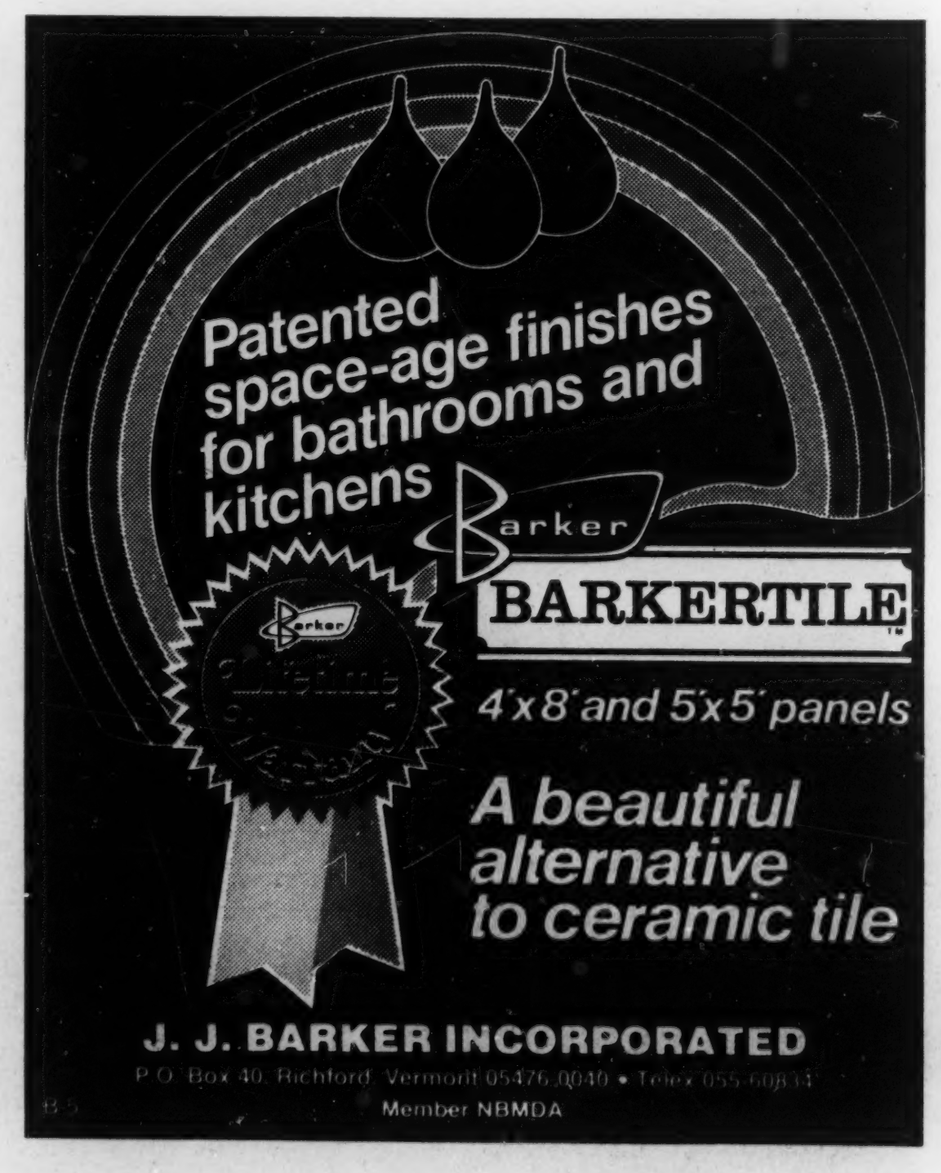
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LUMBER REPORT

Score of bills on Canadian lumber imports provides feast for Feds

(Continued from page 21)

with The Gibbons Bill and The Baucus Bill because the "Removal Rights Provision" is a small part of a larger bill and it may be difficult to eliminate the "Removal Rights Provision" from the larger bill which has a good chance of passing in Congress.

Effects of The Gibbons Bill

A recent study by the Wharton Econometric Forecasting Associates on the "Macroeconomics Impact of Tariff Induced Increases in U.S. Lumber Prices" found, "the imposition of a duty on softwood lumber imports from Canada would create a few additional jobs in the U.S. lumber industry. The job losses in the other U.S. industries due to higher U.S. lumber prices would greatly exceed these gains.

"For every job created in the U.S. lumber industry, approximately four jobs are lost in the economy each year from 1987 through 1993." Lots of industries would be affected by the tariff including transportation, home building, lumber dealers and home centers. Many industries that depend on affordable housing would be affected by higher lumber prices including carpeting, plumbing, heating, brick, glass, insulation and other manufacturers, distributors and retailers.

John J. Kolemji, president of the National Assoc. of Home Builders, with over 100,000 members, recently stated that his association's research department "estimates that for every $1,000 increase in the cost of the average house, more than 300,000 families would be priced out of the housing market." The potential 60% import duty placed on Canadian wood wold raise the cost of an average home by several thousand dollars.

The National Lumber and Building Materials Dealers Assoc. feels that an import tariff would reduce both demand for lumber and the volume of lumber flowing through lumber dealers. This would result in a loss of employment and the availability of western and eastern Canadian spruces, which is a preferred species.

I.T.C. report

The International Trade Commission recently released a 224-page report on Canadian lumber imports. Both the Canadian manufacturers and members of the "Coalition for Fair Lumber Imports," the American group looking for duties, claim the report supports their position. The report points out that the exchange rate plays an important part. The report states that the Canadians generally have an advantage in transportation on shipments to the Eastern United States. The Canadian mills are more efficient than their U.S. counterparts. The report did not adjust for differences in chip revenues, species or quality of wood. The International Trade Administration in 1983 ruled that there was no significant subsidization by the Canadian government; that using higher U.S. stumpage prices as a benchmark for deciding whether Canadian prices were subsidized was "arbitrary and capricious"; and that once appropriate adjustments are made, Canadian producers enjoyed no cost advantage over U.S. producers.

Politics may rule

The Canadians may argue, and justly so, that they have no advantage over U.S. lumber producers, but with 300 bills dealing with trade restrictions in Congress and the Democrats making trade the No. 1 issue, the issue has become a very political one. The biggest concern is that parts of the proposed lumber tariff bills could be incorporated into a much larger super trade bill which could pass through both the House and Senate.

The timing of trade legislation has been delayed as the Republicans in the Senate have brought the deficit issue to the forefront again. Once the deficit issue is voted upon, watch for strong trade legislation. It would be late this year or next spring. If you feel strongly one way or the other on the issue of restrictions on Canadian wood, you should write your Senators or Congressmen.

CALENDAR

Feb. 26-27
Central Builders Supplies Co. Spring Product Show, Century Center, South Bend, Ind. 616-651-1455.

March 1-4
Wood Heating Alliance/Wood Energy Trade Show and Seminars, Reno/Sparks Convention Center, Reno, Nev. 202-857-1181.

March 2-5
International Hardware Show, Cologne, West Germany. Telex-8873426.

March 9-12
National Home Center Show Home Improvement Congress & Exposition, McCormick Place, Chicago. 312-823-3183.

March 15-16
Canadian Decorating Products Show, Constellation Hotel, Toronto, Ontario. 312-391-0421.

March 22-23
Western Decorating Products Show, Civic Auditorium, San Francisco, Calif. 314-391-0421.

April 3-5
National Association of the Remodeling Industry (NARI) Annual Convention/Exposition, Orange County Convention/Civic Center, Orlando, Fla. 703-276-7600.

April 6-9
National Kitchen & Bath Association Show, Civic Center, Philadelphia. 201-852-0033.

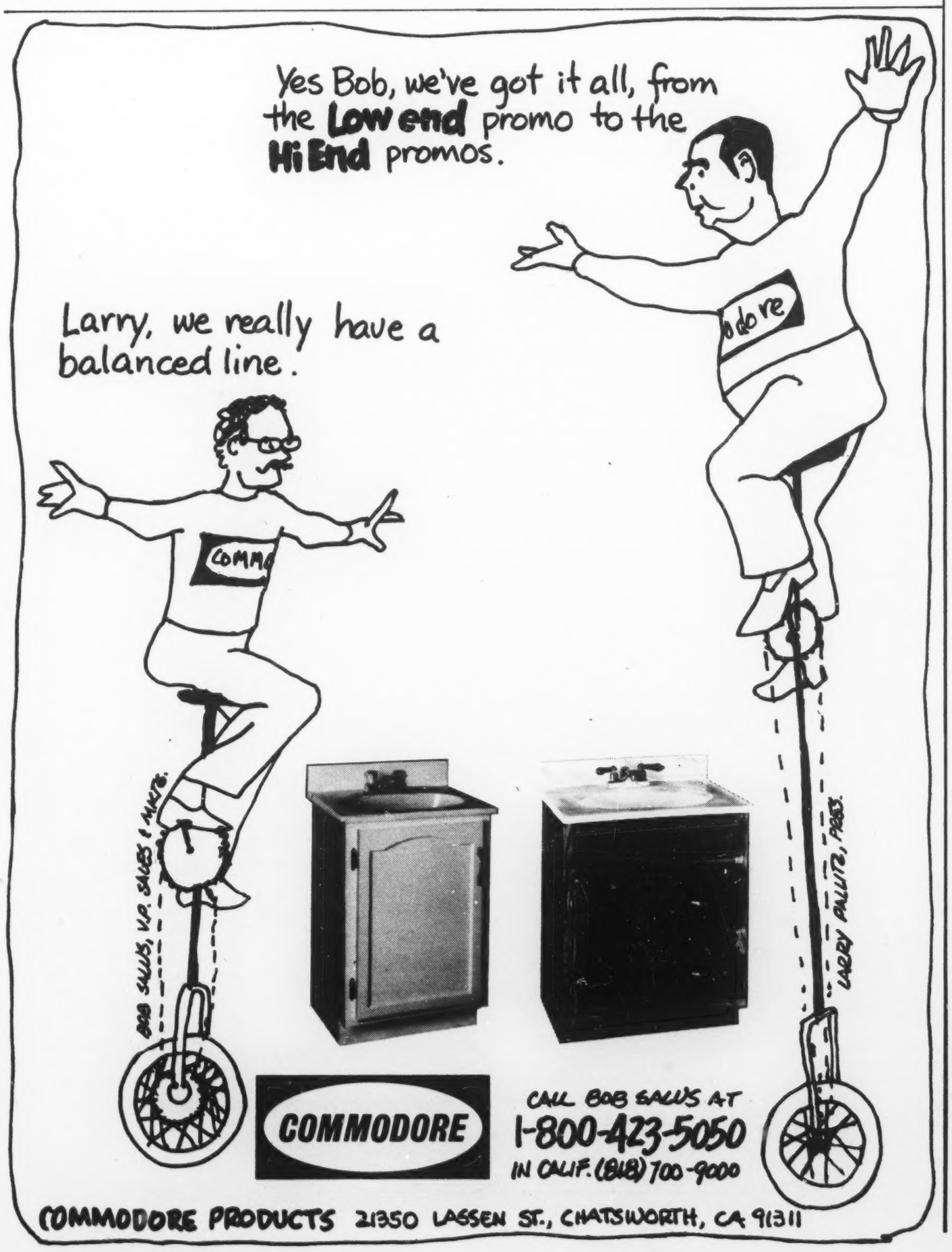
April 6-9
Virginia Building Material Association Annual Convention, Pinehurst, N.C. 804-745-4200.

April 12-13
Eastern Decorating Products Show, Sheraton Boston Hotel, Boston. 314-391-0421.

April 18-20
Lumberman's Association of Texas, Convention Center, San Antonio.

April 20-23
Southern Hardware Show, Fontainebleau Hotel, Miami Beach. 312-885-1025.

April 27-May 5
North American Wholesale Lumberman's Show, Boca Raton Hotel, Boca Raton, La.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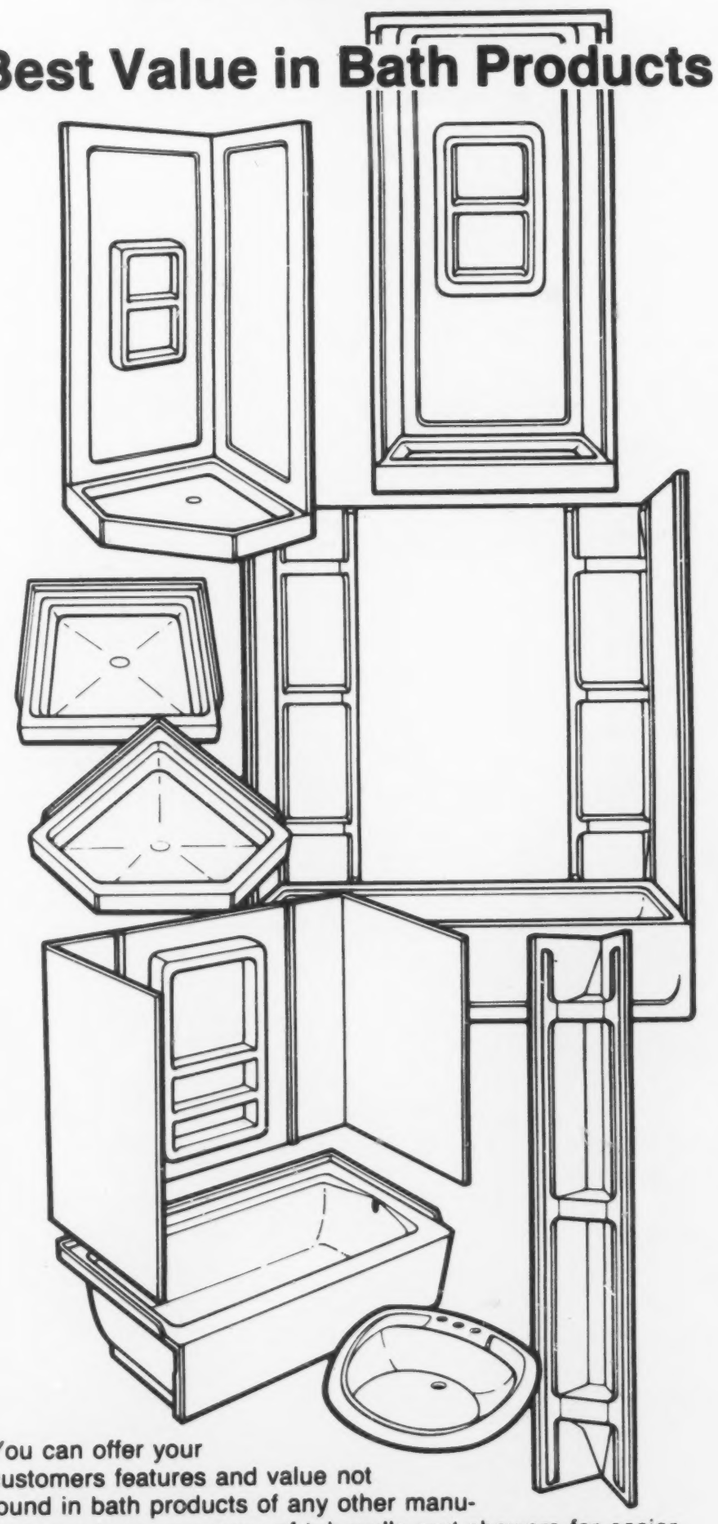

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Cost edges 'pleasure' in DIYers' decisions

(Continued from page 3)
propriate product category sections.

The study does not give a broad-based portrait of all home center shoppers, as *New Shelter*'s readership is mostly male, older, better educated and more affluent than the "typical" DIYer. However, the survey does serve as one of the most comprehensive barometers available in the industry on what the most active shoppers and buyers are doing in their homes.

One of the study's seminal findings was that saving money is not the sole criterion consumers use when deciding to take on a home remodeling project themselves, although it is their main reason.

Close to 9 out of 10 of the survey's home center shoppers said they undertook a DIY project because "it saves money." However, an almost equally high ratio—more than 8 of 10—said they engaged the job because "I enjoy doing the work myself." This "pleasure factor" increases to nearly 9 out of 10 of those consumers who said they were "advanced" or "expert" DIYers.

Three of five consumers thought doing a project themselves made them a more knowledgeable homeowner, and increased the value of their home. About the same number said that doing the job themselves allowed them to buy materials at a cheaper price than going through a contractor, a remarkable perception that probably stems from the effect the expansion of the warehouse home center has had on the pricing structure of many products.

One quarter of the survey's home center shoppers, and nearly half of those who said they were expert DIYers, indicated they want to handle the project on their own because "I can do it faster myself." Another 10% of the total, and 1 in 5 of the experts, indicated they took the job on because "I can't find a contractor who will do the work the way I like."

In terms of the kinds of projects these home center shoppers might do or have done, one in five of the survey's respondents said they remodeled their kitchens over the past 24 months, and more than 80% of these consumers did the job themselves and spent a median of $1,330. DIY activity was even higher among the quarter of home center shoppers who remodeled their bathrooms during this timeframe, with more than 90% doing the job on their own, and spending a median of $599 for the work.

It should be noted, though, that only 6 in 10 of the respondents who said they were "beginner" DIYers tackled the bathroom remodeling job, compared with 100% of the experts.

The survey asked home center shoppers about which "major" home improvement projects they had conducted in the past two years, the expected completion of a project over the next year, and how important cost was to consumers when a project was on the drawing board.

The major improvement most frequently accomplished was the addition of a porch, deck or patio (*see chart*), which was done by about 14% of those polled. Another 8% had added a room, and 7% had either built on a bathroom or converted a basement to living space; 4% added a garage.

With the exception of the garage project (where 70% of the active consumers did the job themselves), at least 8 out of 10 respondents conducted the project on their own.

Within these data, one finds some variance of DIY activity. More than 1 in 7 consumers aged 18 to 34, for example, said they added a porch or deck; more than 12% of those consumers living in the western United States had added a room; and nearly 12% of those "beginners" said they converted a basement.

Over the next 12 months, a porch addition will remain the leading major project among the survey's respondents, with close to 14% planning to do the job. Around 1 in 10 said they would add a greenhouse to their homes, with about the same ratio of "expert" DIYers planning to add a new bathroom. Eleven per cent of consumers living in the South will add an exterior room to their homes.

When planning a "major" home improvement project, cost plays a far greater role in a consumer's buying decision than it might for simpler remodeling. The cost of kitchen or bath remodeling, on a scale of 1 to 10, received a rating of only around 5 among those home center shoppers polled. On the other hand, the cost of a major planned project got a median rating of 7.37. Nearly one-quarter of all home center shoppers, and 40% of DIY beginners, rated cost a 10.

Major home improvement projects completed in last two years

	Total answering (1,648)*	Beginner (134)*	Intermediate (669)*	Advanced (639)*	Expert (133)*
Added a porch/patio/deck	14.0%	12.7%	12.7%	16.6%	12.0%
Added exterior rooms	7.8	8.2	7.2	8.6	6.8
Added new bathroom	6.7	5.2	5.1	8.6	9.8
Converted a basement to living space	6.7	11.9	6.1	7.0	6.0
Added garage	4.1	3.0	3.7	4.4	7.5

Source: *New Shelter Magazine*, Rodale Press Inc. *NHCN* chart

*those home center shoppers responding to the question

Houston DIYers shop first at home centers

(Continued from page 3)
• Nine out of 10 consumers polled said they purchased something at a home center last year.

Additionally, 56% of the respondents said they have done some fix-up work in their homes in the last year, particularly painting, wallpapering, remodeling and repair chores, for a 1984 mean expenditure total of $1,345, $152 below the seven-market average and $249 more than what they estimate they will spend next year despite their resolve to spend less, giving retailers an encouraging sign for the future.

Retailers Frank Denny, chairman and president of the 30-unit Builders Square headquartered in San Antonio, Daryl Lansdale, president of the central region of the W. R. Grace Co., which includes Handy Dan, and Arthur Blank, president of the 46-unit Atlanta-based Home Depot, all comment that Houston is an important city for home center retailing. "It's not robust," said Denny, "but it offers a better than average opportunity for the future."

Approximately 3.18 million people reside in the Houston Metro Area, according to Sales and Marketing Management's 1985 report, making it the eighth largest city in the country. It generated nearly $20.9 billion in total retail sales last year, also eighth in the nation, and building materials and hardware store sales were $1.3 billion, second only to Los Angeles-Long Beach, which had almost $1.7 billion in 1984.

More than 8 out of 10 consumers polled for the Shapiro report are homeowners who have lived in their houses for a mean 10.5 years and earn a mean income of $33,600 a year, $1,500 above the seven-market average and second only to Long Island, which posted a mean annual income of $34,500.

C. A. Kasdorf, manager of research with the Houston Chamber of Commerce, noted that the city's economy is growing slowly, about 2.5% a year and that 30,000 new jobs are created annually.

In the last year, Builders Square has seen the change in the market. Denny said his average consumer ticket has risen from $28 to $33 this year. He doesn't think the retail climate is bad, and suggested, "You have to look at the underlying viability of the market."

A recent study by the National Planning Assn. found that "Despite a currently sluggish economy [Houston] will lead all other metro areas in the country by adding 1.3 million jobs between 1982 and 2000," according to The Fuller Real Estate Market Report dated May 1985.

This is particularly good news for home center retailers especially since consumers in the Shapiro report said they bought 93% of their home improvement products at home centers last year.

And of the many products consumers shop for at home centers, 91% said they look for lumber and plywood, 65% said home insulation, 64% said bathroom sinks and vanities, 63% said doors and windows and 61% said they shop for electrical wiring and switches.

When they go to a home center in Houston, nearly half the respondents in the Shapiro study said they went to Handy Dan last year. Second was Furrow with about one-third of respondents, followed by Boise Cascade, which is leaving the market, with one-fifth of those polled saying they go there, and Builders Square with 1 of 10. (At the time the survey was done, March 1985, The Home Depot was not in Houston.)

Houstoners said they chose to shop at Handy Dan, which has been in the market the longest, since the late 1960's, most often because its stores are conveniently located, priced competitively and offer variety.

Although consumers report they prefer to shop in home centers for their home improvement needs, Houston shoppers don't contain their purchases to home centers, they also visit hardware, discount and department stores.

According to the Shapiro study, Houston shoppers look first to home centers to satisfy their purchasing needs and then look second to department stores, particularly Sears.

When they go to Sears, half the shoppers are looking for portable power tools, 4 of 10 for hand tools, and one-third each for wall or house paint and garden tools.

Only a small percentage of the respondents identified hardware stores and discount retailers as places they will shop for home improvement products, but Denny and Lansdale insisted these retailers are viable competitors.

Of the consumers who said they shop at hardware stores for home improvement items, 10% each identified lock sets and hand tools as the products they shop for. Respondents who stop at discount stores for some of their home improvement needs said garden tools are what they look for.

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Consumers just skim Houston DIY ads

HOUSTON — Despite the frenetic pace at which home center retailers in this city use the media to advertise their company names and products, consumers here report they spend just a mean 6.3 minutes a week reading home improvement ads, according to a recent survey.

In a report on consumer buying habits in seven metro markets—Houston, San Bernardino, Phoenix, Columbus, Long Island, Virginia Beach and Chicago—Houstoners spend less than the seven-market average of 6.9 minutes reading home improvement ads.

The survey, conducted last March by Leo J. Shapiro & Assoc., Chicago, also noted that most Houston respondents don't want to read large, multipage ads or see home improvement advertising anywhere but in a newspaper.

Six out of 10 respondents in the survey said they want to see home improvement ads in the newspaper because they read the newspaper and don't read mail ads.

Half the respondents who said they like to see home improvement ads once a week, find a mean 5.4 pages plenty to satisfy their need for information on sale items, prices and variety, but that one to two pages is sufficient enough to convey a retailer's message.

In fact, nearly 36% of the respondents in Houston noted that one to two ad pages is best for them.

And only one-third of the Houston consumers polled said home improvement ads are needed on television, citing the biggest benefit to be that it lets them know what's on sale.

AHMA mulls show growth

(Continued from page 3)
make two-step procurement of goods less expensive.

Tom Peters, Author of "In Search of Excellence," who followed Merrifield, amplified on the need for value-added services, suggesting that "There is no steak. There is only sizzle."

Excellence, he asserted, comes from understanding customer needs and fulfilling them with quality and service, even if it requires tolerating the "irascible, erratic champions," the workers who usually provide the most innovative products.

Both members of the AHMA and the NWHA elected new officers during the convention. The new president of the hardware group, taking over from Brady, is Richard Mason, president of the Ames Co., Parkersburg, W. Va.

The wholesaler president, who takes over from Don Wolf, president, HWI, is Michael Tucker, president of D. H. Howden & Co.

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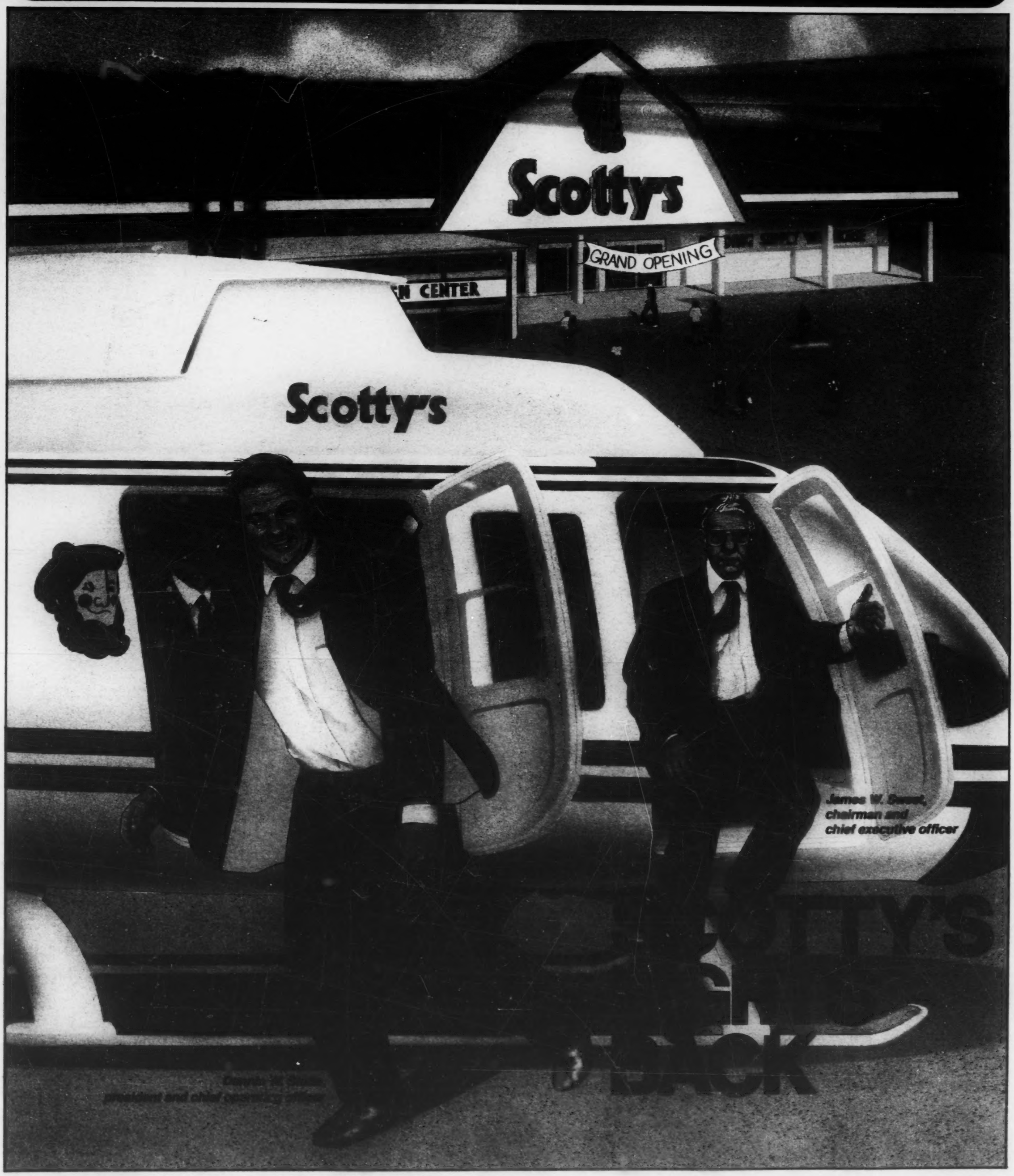

NHCNews Briefs

Industry Update

Hardware Show set back 1 day

SCHAUMBURG, Ill. — The National Hardware Show will be moved back by one day next year, the show sponsor, the American Hardware Manufacturers Assn., announced early this month.

The new dates are Sunday, Aug. 10, through Wednesday, Aug. 13. The event was originally scheduled from Aug. 11 through Aug. 14.

Both the AHMA and show management, the Cahners Exposition Group, reportedly felt it was important to maintain a Sunday opening.

Southwest Forest sells Knox

ST. PAUL — A group of investors, including Knox Lumber Co. president Richard Miller, is purchasing the 10-unit retailer head-quartered here from Southwest Forest Industries, its corporate parent. The purchase price was $29 million, plus the assumption of the chain's liabilities, including $7.3 million in long-term debt identified by Miller as the company's land and buildings.

Southwest announced the signing of the "agreement in principle" on Nov. 25. The Phoenix-based forest products company estimates that its pretax gain on the transaction will be about $5.1 million.

The investor group, led by a three-year-old Houston investment banking firm known as the Sterling Group, is expected to close "by year-end or shortly thereafter."

Miller said he will remain president of Knox and that his three vice presidents, Glenn Frederickson, vp-administration, Jack Walsh, vp-operations, and Mike Carver, vp-merchandising, who also are part of the investor group, will maintain their current positions.

White's embroiled in suit

WICHITA FALLS, Tex. — Twenty dealers have filed suit against White's Stores Inc., here, alleging misrepresentation and violation of Texas antitrust laws. The dealers contend that price setting by White's has prevented them from making a profit.

In the past two quarters, White's has lost more than $80 million, and its parent, Canadian Tire, has taken writedowns totaling $75 million on those losses. In the third quarter, ended Sept. 30, White's suffered a $17.2 million loss, and Canadian Tire's loss equaled $19.6 million on $570.3 million in sales. The third quarter writedown was $25 million.

While it battles with its dealers, White's will also attempt to resolve its financial difficulties. To that end, the company has brought in a new president with a long retailing background. Dean Groussman, a former executive of Target, Dayton Hudson, May's and Zale's, took on the post in late October, replacing Canadian Tire director A. W. (Fred) Billes, who had assumed the position temporarily.

Payless closes 4 in Ariz.

KANSAS CITY, Mo. — Payless Cashways is cutting its store count in Arizona from 11 units to seven units in a consolidation move that when completed next February will leave three stores in the Tucson market and four in the Phoenix market.

The company is closing a Phoenix-area unit in Tempe next Feb. 1 because the store has been open since 1956 and has been outgrown, company officials said.

In Tucson, a Payless unit on Pantano Parkway closed in September, and, next February, two more units will close, including a Payless on North Oracle Road located near a build-to-suit Home Depot that opened in September. The Oracle Road facility is one of the three Wood Brothers Lumber Co. stores acquired by Payless in December 1983.

The other Tucson store to be shuttered, on Feb. 28, is in the path of a highway. It is an outmoded unit which originally opened in 1947.

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Erb's 3rd quarter earnings rise 103% on heels of rebounding economy

By Phillip M. Perry

BIRMINGHAM, Mich. — Invigorated by a rebound in the Midwest economy and by improvements in operations, Erb Lumber has just emerged from a third quarter that, in terms of earnings growth, may be the envy of many home center chains.

The $144 million company reported last month that earnings for its latest three month period totaled $2,366,038, a 103% increase over the performance of the same quarter a year earlier. Revenues increased 42%, to $61,501,000.

Erb's operating results stand out in a home center industry that is taking a buffeting from expansion and renovation expenses. Wall Street has taken heed. Over a two-week period in mid-November, Erb Lumber's stock jumped 11 points to an all-time high of 36½. That represents an increase of 43% over the stock's price before the company's third quarter results were announced in early November.

Last month, Erb took a new step to firm up its management team at a time when it is facing new competition from heavily financed outfits like Home Depot and Builders Square. Bill Green, formerly comptroller for Zickgraf Industries, the $8 million Franklin, N.C., parent of Nantahala Lumber, was brought aboard to fill the newly created position of director of retail operations at Erb. Before his stint with Zickgraf, Green had been employed by Grossman's, the $520 million home center chain based in Braintree, Mass.

Erb's results for its latest quarter are no fluke. Indeed, its earnings for the first nine months of 1985 have totaled $4,327,979, a level 111% above that of the same stretch last year. But whether that kind of pace can be kept up through 1986 is dependent to a large extent on the continuing rebound of the Detroit area economy.

"We've had a good year," said Robert Handley, Erb's controller. "The state of Michigan had been depressed for several years because of the recession's effect on the automobile industry. Now we're back on stream."

And, Detroit has experienced a tremendous building boom that is the envy of most other metropolitan areas in the country. Total housing starts for the first three quarters of the year came to 14,053, an increase of 63% over the same period in 1984. Nationwide, housing starts dropped by 4%, according to the National Assn. of Home Builders.

Erb Lumber has also taken measures to firm up its inter-

(Continued on page 97)

Highlights in this issue

SPECIAL CHAIN PROFILE: SCOTTY'S INC.

Scotty's fights back

Rebounding from the barrage of warehouse home centers on its home turf, Scotty's has emerged as a textbook example of how to compete against the new generation of competition. A new team of young execs is fighting back.

Page 21

Scotty's owns convenience niche

New *NHCN* study confirms Scotty's strong convenience and commodity image, but suggests shoppers may be turning to Home Depot for large project purchases.

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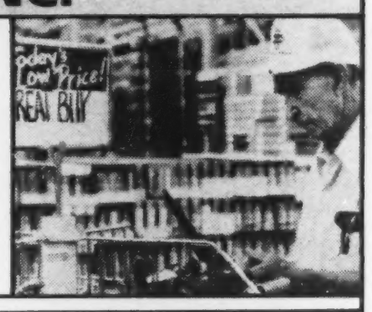

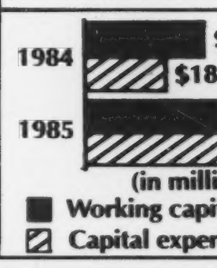

Fiscal policy fuels growth

Scotty's is poised to make the first public straight debt offering in its history. Chart shows recent shift in balance of cash flow vs. spending, part of a new, more aggressive fiscal policy. *Page 47*

Traditional values still prevail

Since the days of founder Evanda Hugh Sweet (left), solid, conservative and moral values have guided the firm and still influence how Scotty's does business today. *Page 55*

DC the hub

The heart of Scotty's, its central DC facility, is being expanded to double its storage capacity. *Page 83*

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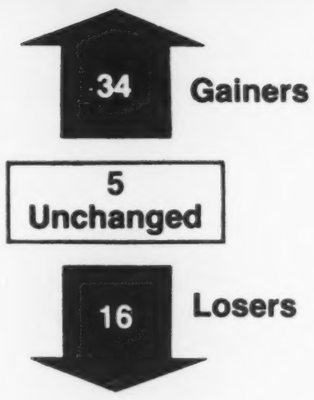
LUMBER REPORT

Major forest products producers turned in mixed financial results for the third quarter, reflected oversupply, depressed prices, increased imports and a slower housing market. *Page 18*

FINANCIAL NEWS

Gainers outpaced percentage-price losers, 34 to 16, for the two-week period ended Nov. 29. Five home center industry stocks were unchanged.



Retailers' issues gained ground on the Standard & Poor's 500 Index, which closed Nov. 29 at 202.17, up almost 24% from a year ago. Erb Lumber, which announced third quarter earnings growth of 103% over the same quarter a year ago *(see story, page 3)*, was the leading price gainer among retailers in the period. On Nov. 29, Erb closed at $35 per share, a $3 per share increase over the prior two weeks. Among manufacturers, National Gypsum was the top gainers, up 21.8% to $46.76.

Edward Hines Lumber, which last month approved liquidation of all its assets starting with the sale of 26 Edward Hines Lumber stores to former president Ed Hines and his family (*NHCN*, Nov. 18), was the top price-percentage loser for the period. Hines price fell 47.6% to $22.25 over the two-week period ended Nov. 29. Lowe's Cos. saw its stock price drop 8.5% to $23 for the period.

The most active retail stocks, measured on the basis of volume increase over the latest two-week period compared to average volume over the previous 12 weeks, were Wolohan Lumber, Erb Lumber, Homecrafters Warehouse and Home Depot.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Wolohan Lumber M	2,921	523.8	.0
Erb Lumber M	270	449.1	9.4
Natl Gypsum N	20,783	398.9	21.8
Homecrafters Whse M	4,333	324.1	.0
Ply-Gem A	703	310.0	- 1.6

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Insilco Corp N	10,592	282.3	4.5
Pope & Talbot N	1,642	251.3	6.4
Emhart Corp N	5,005	241.5	5.7
Mor-Flo Inds M	826	239.6	5.0
Home Depot N	11,053	231.6	- 3.3

TOP GAINERS

Company & Market	2-Weeks Ended 11-29-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Natl Gypsum N	46.75	21.8	20,783
USG Corp N	45.00	10.8	10,717
Erb Lumber M	35.00	9.4	270
La Pacific N	22.75	7.7	7,111
Weyerhaeuser N	30.88	7.4	30,951

TOP LOSERS

Company & Market	2-Weeks Ended 11-29-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Hines Ed Lumber O	22.25	- 47.6	13
Allegheny Int N	21.63	- 16.4	7,562
Std Brd Pnt N	20.00	- 11.6	4,666
Waxman Ind M	10.75	- 8.5	1,031
Lowe's Cos N	23.00	- 8.5	9,830

HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market	2-Weeks Ended 11-29-85	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Boise Cascade N	44.63	.50	1.1	45.25	43.25	51.00	37.00	7,131	2.62	1.60	63.8	24.4	1.90	4.3	.....	9 mos.	09-85	934.2	- 3.0	20.3	- 37.9	.65	- 42.5	2844.5	- 2.2	85.3	- 9.4	2.84	- 12.3
Color Tile M	19.50	.00	.0	19.88	19.00	20.00	15.25	3,381	3.64	2.26	61.1	13.0	.00	.0	.....	3 mos.	09-85	95.0	25.8	3.3	17.9	.36	16.1	95.0	25.8	3.3	17.9	.36	16.1
Edison Bros N	32.88	- .13	- .4	33.13	32.63	38.25	31.00	373	.37	.27	37.0	15.2	1.60	4.9	.....	9 mos.	09-85	199.2	- 26.4	5.9	- 33.7	.58	- 34.1	561.7	- 27.8	13.6	- 44.5	1.34	- 43.5
Erb Lumber M	35.00	3.00	9.4	36.50	33.00	36.50	18.00	270	3.02	.55	449.1	6.0	.00	.0	.....	9 mos.	09-85	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent A	25.13	.13	.5	25.25	24.63	25.25	19.38	39	.10	.31	- 67.7	30.3	.15	.6	.....	6 mos.	07-85	53.5	- 28.6	3.4	36.0	.43	34.4	127.2	1.4	3.6	414.3	.45	309.1
Grace W R N	40.75	1.13	2.8	41.00	39.25	45.00	35.50	9,009	1.86	.95	95.8	12.8	2.80	6.9	.....	9 mos.	09-85	1758.1	6.0	25.3	- 23.6	.41	- 39.7	5246.9	7.1	102.2	- 25.1	1.96	- 30.0
Hechinger A M	17.75	- .25	- 1.4	18.00	17.25	23.19	15.00	2,192	2.51	1.45	73.1	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	19.75	- .75	- 3.7	20.25	19.75	24.19	15.00	1,073	.80	.41	95.1	20.8	.08	.4	.....	6 mos.	07-85	129.3	13.0	7.2	7.5	.30	3.4	243.9	20.6	11.0	8.9	.47	6.8
Hines Ed Lumber O	22.25	- 20.25	- 47.6	42.50	22.25	42.50	22.25	13	.07	.52	- 86.5	16.7	1.00	4.5	NEW	9 mos.	09-85	81.9	- 4.2	1.2	- 45.5	.67	- 46.0	211.3	- .5	2.1	- 8.7	1.20	- 7.7
Homecrafters Whse M	1.75	.00	.0	1.88	1.38	10.00	1.38	4,333	15.31	3.61	324.1	NE	.00	.0	.....	6 mos.	07-85	51.8	19.4	(1.8)	- 100.0	(.64)	- 100.0	97.6	22.2	(3.3)	- 100.0	(1.18)	- 100.0
Home Depot N	11.00	- .38	- 3.3	11.88	10.75	20.38	10.50	11,053	4.41	1.33	231.6	30.6	.00	.0	NEW	9 mos.	10-85	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc N	67.75	- 1.00	- 1.5	69.38	67.63	73.63	58.38	3,147	2.23	2.60	- 14.2	17.0	3.08	4.5	.....	6 mos.	08-85	644.0	- 8.1	23.2	- 4.9	1.47	- .7	1233.0	- 8.4	34.4	- 21.6	2.18	- 17.7
K mart Cp N	35.13	.88	2.6	35.25	33.88	41.50	30.63	39,267	3.13	1.47	112.9	10.9	1.40	4.0	NEW	9 mos.	10-85	5223.2	4.6	77.4	- 16.2	.60	- 15.5	15667.8	10.2	210.7	- 28.5	1.64	- 27.8
Lowe's Cos N	23.00	- 2.13	- 8.5	25.75	22.75	31.13	20.75	9,830	2.71	1.03	163.1	3.8	.36	1.6	.....	9 mos.	10-85	3833.0	756.2	441.1	2406.3	4.90	900.0	4880.9	271.8	473.9	831.0	5.81	312.1
Mich General A	3.50	- .25	- 6.7	4.13	3.25	8.13	3.25	2,178	1.92	.96	100.0	NE	.00	.0	.....	9 mos.	09-85	128.3	3.6	(7.9)	- 100.0	(.69)	- 100.0	335.4	- 2.6	(23.2)	- 100.0	(2.05)	- 100.0
Natl Lumber M	5.00	.00	.0	5.50	4.75	7.50	4.50	345	.61	.32	90.6	21.7	.00	.0	.....	6 mos.	06-85	36.5	9.9	.5	25.0	.09	28.6	67.9	10.0	.7	.0	.12	- 7.7
Pay N Pak N	13.25	.38	2.9	13.50	12.50	15.25	11.50	2,380	2.38	1.38	72.5	14.7	.64	4.8	.....	6 mos.	08-85	90.5	3.1	3.0	- 21.1	.30	- 21.1	173.1	6.7	5.1	- 17.7	.51	- 17.7
Payless Cash N	15.00	- .63	- 4.0	16.38	14.63	23.38	13.50	8,222	2.24	1.54	45.5	13.8	.16	1.1	.....	9 mos.	08-85	379.4	13.4	12.4	- 3.9	.36	- 10.0	1010.0	19.7	27.0	- 2.5	.80	- 7.0
Scotty's Inc N	13.75	.00	.0	13.88	13.38	16.38	12.38	2,411	1.68	.52	223.1	11.2	.52	3.8	.....	3 mos.	09-85	110.3	8.5	2.8	- 17.6	.20	- 23.1	110.3	8.5	2.8	- 17.6	.20	- 23.1
Sears, Roebuck N	36.88	.63	1.7	38.13	36.25	39.13	30.00	63,723	1.75	.85	105.9	10.3	1.76	4.8	.....	9 mos.	09-85	10047.1	3.7	262.2	- 18.5	.71	- 19.3	28647.1	3.4	751.0	- 15.8	2.03	- 17.8
Std Brd Pnt N	20.00	- 2.63	- 11.6	22.63	19.63	23.88	18.13	4,666	4.18	1.58	164.6	11.2	.56	2.8	.....	6 mos.	07-85	95.5	12.5	5.4	- 15.6	.48	- 15.8	176.4	8.4	10.2	- 7.3	.91	- 8.1
Supermkts Gen N	49.00	2.88	6.2	49.38	45.38	49.38	30.50	2,368	1.32	.94	40.4	13.6	.48	1.0	NEW	9 mos.	10-85	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	38.2
Wolohan Lumber M	5.63	.00	.0	5.88	5.25	7.25	4.50	2,921	4.99	.80	523.8	10.8	.16	2.8	.....	9 mos.	09-85	46.8	12.5	1.2	9.1	.20	5.3	113.3	10.0	2.2	22.2	.38	22.6
Wholesalers																													
Lewis Palmer M	7.75	- .38	- 4.6	8.25	7.63	9.38	6.38	538	1.38	.68	102.9	64.6	.27b	3.5	.....	6 mos.	07-85	37.5	- 6.9	.2	- 60.0	.06	- 57.1	70.5	1.6	.2	- 75.0	.06	- 75.0
Manufacturers																													
Allegheny Int N	21.63	- 4.25	- 16.4	25.88	21.50	28.75	20.25	7,562	7.03	3.42	105.6	NE	1.40	6.5	.....	9 mos.	09-85	511.5	- .9	(71.4)	- 100.0	(7.35)	- 100.0	1519.2	- 1.0	(56.3)	- 100.0	(7.47)	- 100.0
Am Standard N	34.63	1.38	4.1	35.50	32.88	35.50	26.75	13,286	3.38	1.49	126.8	11.7	1.60	4.6	.....	9 mos.	09-85	830.9	.3	28.2	- 3.1	.71	- 5.3	2498.2	6.2	85.8	2.0	2.18	- 4.8
Armstrng Wrld N	42.13	.38	.9	43.50	41.50	43.50	30.38	9,225	3.85	1.55	148.4	10.4	1.30	3.1	.....	9 mos.	09-85	446.7	13.1	28.1	23.2	1.17	23.2	1253.2	5.6	78.3	6.7	3.26	8.7
Black & Decker N	20.50	1.13	5.8	20.63	19.25	26.88	17.25	18,345	3.61	2.05	76.1	NE	.64	3.1	.....	fiscal	09-85	454.3	- 5.9	(195.1)	- 100.0	(3.83)	- 100.0	1732.3	13.0	(158.4)	- 100.0	(3.11)	- 100.0
Certain-teed N	26.00	1.25	5.1	27.00	24.50	28.50	19.75	2,776	1.46	.55	165.5	9.0	.70	2.7	NEW	9 mos.	09-85	304.1	- 7.0	18.3	408.3	.93	447.1	848.0	- 7.4	43.0	45.3	2.18	48.3
Champ Intl N	23.88	1.00	4.4	24.25	22.75	26.75	19.25	23,296	2.51	1.27	97.6	NE	.52	2.2	.....	9 mos.	09-85	1330.4	17.6	37.9	- 5.7	.37	- 43.9	4575.1	33.4	125.0	14.3	1.22	- 31.5
Clopay Corp A	13.25	- .25	- 1.9	13.63	13.00	22.19	11.25	99	.65	.30	116.7	NE	.16	1.2	.....	9 mos.	09-85	38.5	6.6	(1.2)	- 100.0	(.78)	- 100.0	103.7	6.3	(1.7)	- 100.0	(1.10)	- 100.0
DeSoto Inc N	35.38	1.63	4.8	35.38	33.63	37.88	31.25	724	1.52	.61	149.2	11.5	1.40	4.0	.....	9 mos.	09-85	109.2	- 4.5	4.1	- 31.7	.86	- 18.9	330.1	.3	11.3	- 29.4	2.37	- 16.8
Emhart Corp N	30.38	1.63	5.7	30.50	27.88	33.13	26.25	5,005	1.81	.53	241.5	11.2	1.40b	4.6	.....	9 mos.	09-85	421.2	.1	17.0	- 20.6	.61	- 28.2	1290.6	- 4.1	56.4	- 13.0	2.03	- 21.3
Georgia-Pacifc N	24.88	1.38	5.9	25.38	23.50	27.38	20.50	28,727	2.79	1.20	132.5	30.3	.80	3.2	.....	9 mos.	09-85	1752.0	- .3	58.0	- 30.1	.52	- 29.7	5126.0	4.3	174.0	- 20.2	1.56	- 8.8
Insilco Corp N	20.13	.88	4.5	20.88	18.88	20.88	16.63	10,592	5.39	1.41	282.3	12.6	1.00b	5.0	.....	9 mos.	09-85	209.1	1.0	5.9	- 35.2	.30	- 41.2	637.1	5.1	22.5	- 12.5	1.20	- 15.5
La Pacific N	22.75	1.63	7.7	23.38	21.00	24.75	17.63	7,111	2.00	.85	135.3	19.4	.80b	3.5	.....	9 mos.	09-85	332.3	6.3	11.3	63.8	.32	77.8	948.3	.2	18.7	- 11.8	.53	- 10.2
MacMlln Bldel N	14.00	.13	.9	14.00	13.63	21.34	12.47	81	.03	.02	50.0	21.2	.00a	.0	.....	9 mos.	09-85	597.1	- 1.0	12.1	61.3	.18	350.0	1733.7	11.9	22.5	NE	.10	NE
Manville Cp N	5.50	.25	4.8	5.75	5.13	8.63	5.13	5,525	2.30	1.11	107.2	NE	.00	.0	.....	9 mos.	09-85	471.4	- 4.0	(98.6)	- 100.0	(4.37)	- 100.0	1405.4	3.5	(66.0)	- 100.0	(3.53)	- 100.0
Masco Corp N	37.75	1.63	4.5	37.88	35.75	37.88	25.75	6,545	1.13	.72	56.9	25.7	.64	1.7	.....	9 mos.	09-85	NC	NC	(48.6)	- 100.0	(.10)	NE	449.1	- 44.2	23.2	- 75.4	1.14	- 31.7
Mor-Flo Inds M	15.75	.75	5.0	15.75	15.00	20.25	14.50	826	3.26	.96	239.6	7.4	.01	.1	.....	9 mos.	09-85	47.0	9	.3	- 81.3	.11	- 82.5	153.0	3.9	3.7	- 22.9	1.45	- 24.5
Natl Gypsum N	46.75	8.38	21.8	47.25	37.75	47.25	22.69	20,783	9.08	1.82	398.9	8.9	1.52	3.3	.....	9 mos.	09-85	468.0	4.2	35.1	24.9	1.53	26.4	1277.4	- .8	96.6	18.4	4.16	18.9
Newell Co N	22.25	.25	1.1	22.50	21.50	22.50	14.88	1,572	1.83	.73	150.7	11.5	.60	2.7	.....	9 mos.	09-85	92.2	36.4	5.4	74.2	.60	66.7	253.4	15.9	13.4	34.0	1.48	27.6
Owens Corning N	35.63	.50	1.4	35.88	34.88	37.00	30.50	6,666	2.24	.80	180.0	8.7	1.40	3.9	.....	9 mos.	09-85	870.5	8.0	38.9	11.8	1.31	11.0	2338.4	3.2	87.1	8.5	2.94	7.7
Ply-Gem A	15.63	- .25	- 1.6	16.00	15.13	16.50	12.50	703	1.64	.40	310.0	14.1	.16	1.0	.....	9 mos.	09-85	39.5	- 2.7	1.1	37.5	.25	31.6	123.0	- .2	3.1	- 3.1	.77	- 12.5
Pope & Talbot N	18.75	1.13	6.4	18.75	17.38	21.50	15.25	1,642	2.74	.78	251.3	81.5	.80	4.3	.....	9 mos.	09-85	82.0	- .6	2.1	NE	.34	NE	250.3	3.8	6.1	48.8	1.01	46.4
Potlatch Cp N	37.00	- 1.50	- 3.9	38.50	36.00	43.63	28.38	2,074	1.35	3.29	- 59.0	14.7	1.56	4.2	.....	9 mos.	09-85	239.6	- 3.8	11.3	1.8	.65	1.6	722.9	- 4.6	33.3	- 15.9	1.93	- 13.1
Sherwin-Wms N	41.50	1.00	2.5	42.25	40.38	42.25	25.50	2,190	.95	.74	28.4	13.1	.92	2.2	.....	9 mos.	09-85	578.8	4.8	29.1	15.0	1.26	13.5	1677.5	6.6	63.3	13.2	2.75	13.2
SW Forest Ind N	10.63	.63	6.3	11.00	9.88	16.63	9.88	4,099	4.41	2.40	83.8	NE	.00	.0	.....	9 mos.	09-85	181.6	- 10.6	(2.8)	- 100.0	(.45)	- 100.0	530.9	- 9.6	(7.3)	- 100.0	(1.25)	- 100.0
Stanley Works N	31.13	.88	2.9	32.00	30.00	32.00	23.88	3,193	1.15	.55	109.1	11.4	1.04	3.3	.....	9 mos.	09-85	297.1	.8	19.4	7.2	.70	7.7	885.9	3.9	52.6	5.2	1.92	7.3
Thos Inds N	19.38	.50	2.6	20.00	18.75	20.00	15.13	511	.60	.37	62.2	10.4	.68b	3.5	.....	9 mos.	09-85	79.1	- .5	4.9	14.0	.57	14.0	231.9	8.1	12.0	.0	1.41	.0
Triangle Pac N	36.25	.75	2.1	37.00	35.38	37.00	23.00	896	2.37	1.05	125.7	10.0	1.00	2.8	.....	9 mos.	09-85	69.0	- 3.5	4.7	9.3	1.24	21.6	198.2	- 4.5	11.6	8.4	2.90	12.0
USG Corp N	45.00	4.38	10.8	46.50	40.63	46.50	26.38	10,717	3.21	1.05	205.7	7.1	1.68	3.7	.....	9 mos.	09-85	657.4	3.7	65.7	38.3	1.96	36.1	1891.3	10.7	169.9	16.9	5.08	15.5
Walter, Jim N	39.63	1.50	3.9	40.00	38.00	40.00	29.63	7,605	3.62	1.75	106.9	8.1	1.40	3.5	.....	9 mos.	05-85	579.8	2.7	31.2	6.1	1.43	5.9	1664.4	- 1.7	73.3	15.8	3.36	15.9
Waxman Ind M	10.75	- 1.00	- 8.5	12.00	10.25	16.88	5.91	1,031	3.29	1.50	119.3	16.0	.08	.7	.....	3 mos.	09-85	21.5	4.9	.6	- 14.3	.18	- 55.0	21.5	4.9	.6	- 14.3	.18	- 55.0
Weyerhaeuser N	30.88	2.13	7.4	31.38	28.50	34.00	24.75	30,951	2.38	.77	209.1	25.5	1.30	4.2	.....	6 mos.	06-85	1400.1	622.4	59.7	- 42.5	.41	- 43.8	2675.8	81.9	97.9	- 30.3	.65	- 32.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

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A—American Stock Exchange
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M—NASDAQ National Market

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

FINANCIAL NEWS

Homecrafters to sell remaining whses

(Continued from page 3)

ments with lessors of the closed stores would impact the ultimate success of its return to the smaller store concept.

"We're now in a G.O.B. [going out of business] mode in all 11 of the warehouse units," said corporate president Georges Hanzi late last month. "We're still in the midst of finalizing our plans, and we will have to see how successful we are in the G.O.B.'s before we can tell when we will return to profitability."

While Hanzi did not elaborate on the reasons why his chain of warehouse units did not show a profit, he noted the primary reason was that "we had volume expectations that we didn't attain. We decided it was the better part of valor to get out of the business."

The two warehouse units in Memphis had begun in recent months to show a profit, although their individual annualized volumes did not rise above $10 million each.

Many observers of the company cited two primary reasons why the Homecrafters stores could not achieve the volumes necessary to show a profit in the slim-margin warehouse retailing business. The primary reason seemed to be the locations of the chains' units, some in highly competitive, entrenched markets like Denver and Louisville. In such cases, Homecrafters did not have deep enough pockets to hang in for the long haul, as did competitors there. In other cases, stores were located either in places difficult to access, or in communities with lower incomes.

Another often-cited reason was the fact that, with its rapid roll-out of stores of a type it had not operated previously, Homecrafters simply did not have the time to tinker with its merchandising formula in its various markets to achieve profitability.

"If you look at Home Depot closely, you'll see that it took two years for the company to become profitable, as they underwent a learning curve," said Scott Baily, an analyst who follows Homecrafters for Smith Barney, Harris Upham, a New York brokerage that makes a market in the stock. "Homecrafters didn't have the deep pockets necessary to continue on until the stores became profitable."

'If you look at Home Depot closely, you'll see that it took two years for the company to become profitable, as they underwent a learning curve. . . . Homecrafters didn't have the deep pockets necessary to continue on until the stores became profitable.'

—Scott Baily,
Smith Barney, Harris, Upham

The effect of rapidly expanding a warehouse chain with a relative scarcity of capital was to plunge Homecrafters into a condition of chronic illiquidity. The chain experienced, to a more severe extent, the same cash squeeze phenomenon that is impacting earnings at larger, more heavily capitalized chains like Home Depot and Mr. HOW Warehouse.

When Homecrafters first went to market with its stock in January of 1984, its current ratio was a healthy 3.8 to 1. But by the end of July of that year, the company had invested heavily in expansion. While cash flow generated by net earnings and depreciation came to a little over $1 million, the cash outflow was enormous. The company increased inventory by $9 million, at a time when its accounts receivables had increased by $4.9 million. In the six-month period that ended in July of that year, the company experienced a negative cash flow from operations that totaled over $12 million.

More recently, steps have been taken to put the company on solid financial footing. Over a six-month period that ended this past July, the company took drastic steps. It turned $4.4 million worth of inventory into cash. It freed up $2.6 million by stretching its accounts payable. These two measures, and others, brought about a net cash inflow of $2.2 million for the period, even though the company reported a loss of $3.3 million.

By the summer of this year, it was clear that the company would have to take yet further steps to return to profitability. At that point, its cash on hand and accounts receivable came to $13.7 million, while its short-term debt and accounts payable came to $34.7 million. A year earlier, the comparable numbers had been $17.4 million and $23.2 million. The decision was reached to sell the warehouse units, which were causing a cash drain on the company's coffers.

Corrections

A list, published in the Sept. 9 issue, of companies receiving packaging awards from the American Hardware Manufacturers Assn. inadvertently left out the Glouster Co., Franklin, Mass., which won first prize for its water proofing product packaging in the hard lines category.

A typographic error in the Sept. 23 issue resulted in the overstating of the number of new exhibitors attending the 1985 National Hardware Show. Of the 3,011 exhibitors this year, 111 were new.

The name Aqualine, a faucet brand of U.S. Brass, was inadvertently left out of a chart in the *National Home Center News* Brands Study (*NHCN*, Oct. 7).

The chart should have revealed that in aided recall 26% of respondents had heard of Aqualine. *NHCN* regrets the error.

The story headlined "Houston DIYers shop first at home centers," (*NHCN*, Nov. 18), mistakenly said that Houstonians will spend $249 per household less in total DIY purchases than they did in 1984. It should have said they will spend $249 more next year.

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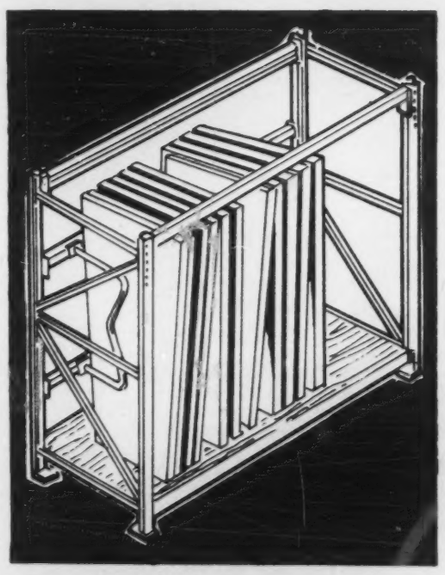

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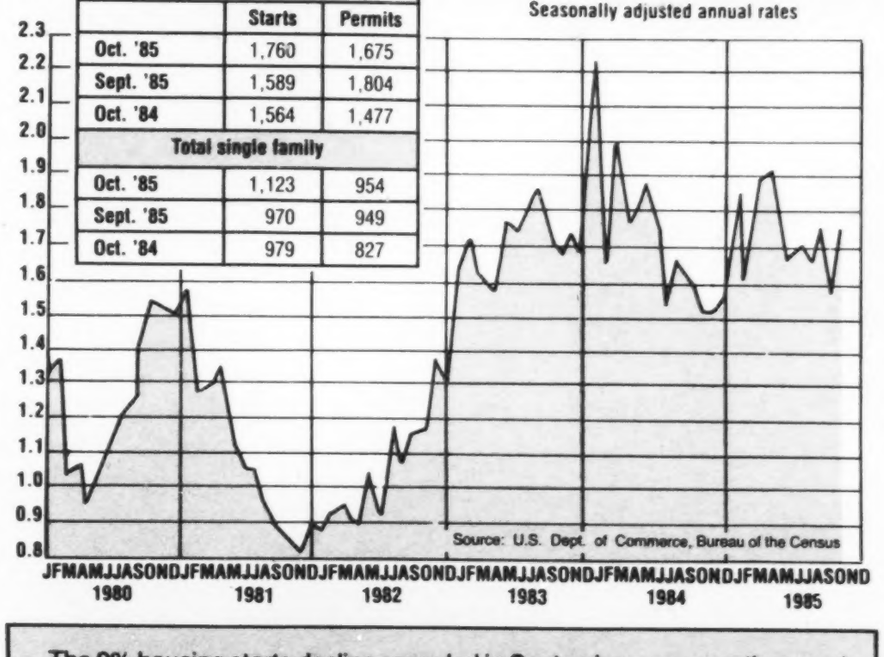
HOUSING WATCH

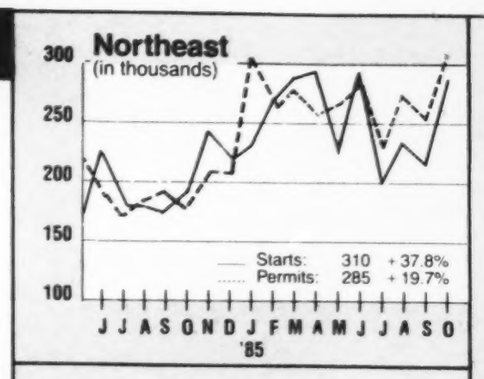
U.S. housing starts

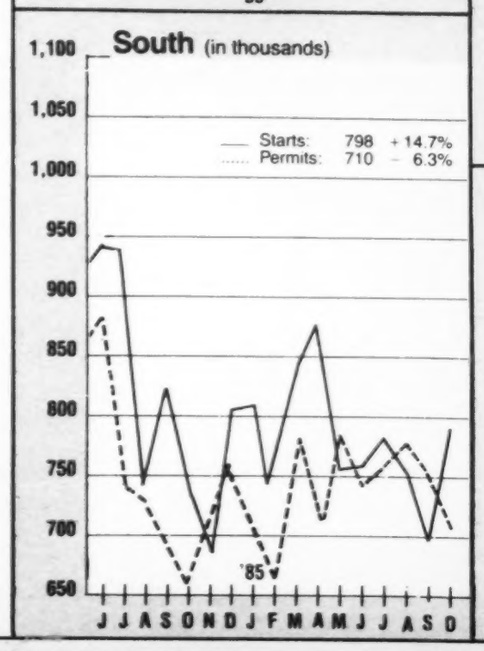
Seasonally adjusted annual rates

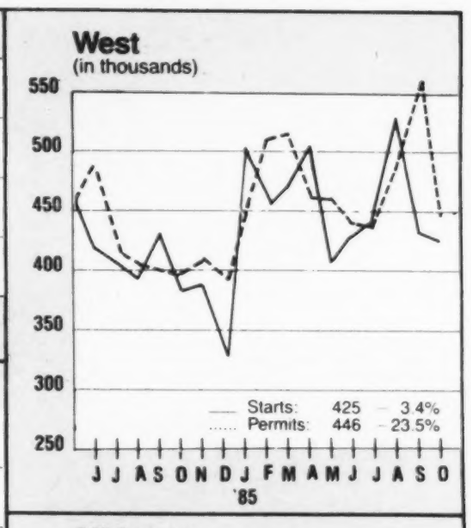
TOTAL (in thousands)	Starts	Permits
Oct. '85	1,760	1,675
Sept. '85	1,589	1,804
Oct. '84	1,564	1,477
Total single family		
Oct. '85	1,123	954
Sept. '85	970	949
Oct. '84	979	827

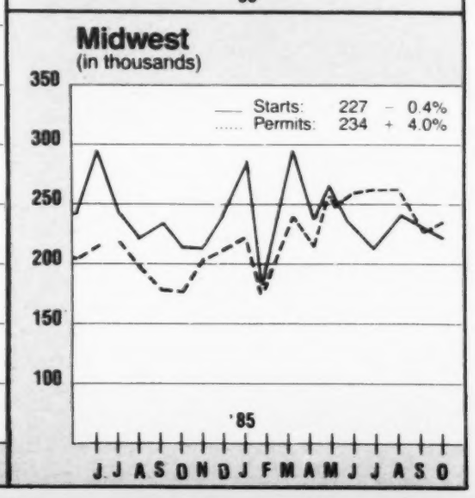


The 9% housing starts decline recorded in September was more than made up for in October when starts rose 10.8% to a seasonally adjusted 1.76 million units, according to figures released by the U.S. Commerce Department. Instead of 1985 being an off housing starts years, Gopal Ahluwalia, assistant staff vp-director of research at the National Assn. of Home Builders in predicting that the 1984 starts level of 1.74 million units will be reached.









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October starts climb 10.8% to 1.76 million

NATIONAL REPORT — Lower interest rates and a lot of unused permits are credited with sparking a 10.8% jump in housing starts in October to a seasonally adjusted annual rate of 1.76 million units, according to Gopal Ahluwalia, assistant staff vp-director of research at the National Assn. of Home Builders.

The numbers are "high," Ahluwalia admitted, adding that the 3% to 5% housing starts decline predicted for this year probably won't occur at all.

"I think the seasonally adjusted housing starts will end up somewhere between 1.7 million to 1.8 million," Ahluwalia said. "And we will close the year very close to 1984 and even the same as last year, 1.74 million units."

According to the Federal Home Loan Bank Board, the contract interest rate for fixed-rate mortgages was 11.45% in October, up 0.01% over September.

While total housing starts rose in October, so did single family activity, by 15.8%, to a seasonally adjusted 1.23 million units. Permits, however, dropped 7.2% from September's active 1.8 million unit pace, to 1.67 million units, seasonally adjusted. Single-family permits inched up 0.5% during the same period, to a seasonally adjusted 954,000 units, according to the U.S. Commerce Department.

'I think the seasonally adjusted housing starts will end up somewhere between 1.7 to 1.8 million. And we will close the year very close to 1984. . . .'

—Gopal Ahluwalia, *assistant staff vp-director of research, National Assn. of Home Builders*

New construction was again strongest in the Northeast, where a housing starts increase of 37.8% was recorded in October, to a seasonally adjusted 310,000 units. Permit activity was also high in this region, up 19.7% to a seasonally adjusted 285,000 units.

Compared with October 1984, housing starts are up 45.5% and permits are ahead by 48.2% in the Northeast.

The only other region to record a housing starts increase in October was the South. It had a 14.7% rise in starts to a seasonally adjusted 798,000 units. Permit activity declined here, however, by 6.3%.

The West was the weakest region for new permits in October, declining 23.5% to 446,000 units, seasonally adjusted. Starts also declined, by 3.4% to 425,000 units.

Permit activity rose in the Midwest in October by 4% to 234,000 units, while the region recorded a 0.4% decline in housing starts, to 227,000 units, seasonally adjusted.

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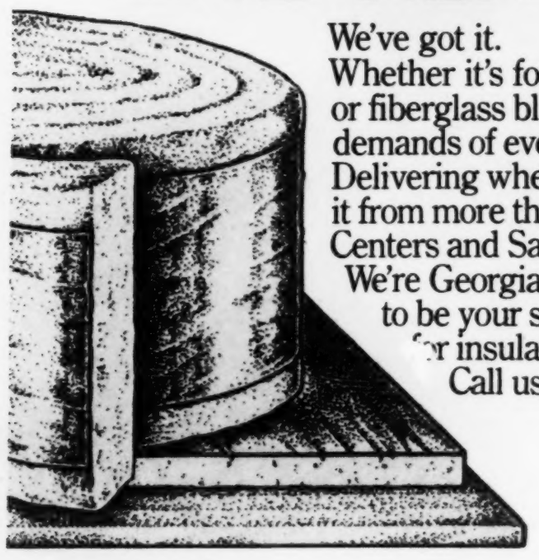

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LUMBER REPORT

Mixed 3 qtr. financial results reflect lumber industry's woes

NATIONAL REPORT — Major forest products producers turned in mixed financial performances for the third quarter, which tended to reflect the chronic economic woes that has plagued the industry for the past two years.

The relatively poor third-quarter earnings reports by the forest products producers underscored a host of ills stymieing profit, among these being oversupply, depressed lumber prices, increased lumber imports and a slackening housing market.

If there were any bright spots to the third quarter it would be shared by Louisiana Pacific Co. and the troubled Potlatch Corp., both of which posted increases in earnings.

In the case of Louisiana Pacific, net income for the quarter jumped 64% from $7 million in 1984 to $11.4 million for the same time period last year. Third quarter sales were $332.4 million, approximately 6% higher than 1984 period sales of $312.7 million. Net income for the first nine months of this year was up $18.7 million, on sales of $948.3, or 53¢ a share compared to 1984's nine-month net income of $40.2 million.

Harry A. Merlo, L-P's chairman and president, attributed the company's upbeat performance to lower operating costs and an increase in demand for the company's waferboard structural panels and other building supply products.

The Potlatch Corp., which earlier this year shut down two mills had some encouraging financial results for the third quarter.

Although revenues were flat for the third quarter, net earnings rose to $11.3 million from $11.2 million from 1984, from 4¢ per share to 65¢ per share.

Nine month sales trailed 1984's results which were $722.9 million, 5% behind the $757.8 million recorded. This produced net income per common share of $1.93 in 1985, compared to $2.22 last year.

Problems seen

Potlatch chairman and ceo Richard B. Madden indicated through a press release that the current competitive environment shows that difficult times remain ahead for the diversified forest products conglomerate.

Madden said the company's best earnings performance came from the paper and pulp divisions.

In other financial developments, Boise Cascade reported that its third-quarter profit dropped nearly 40%. The company blamed its poor performance on continued weak prices for lumber products and a decline in demand for certain grades of paper.

Boise's third-quarter earnings fell to $20.3 million or 65¢ a share, from a year-earlier high of $32.7 million, or $1.13 a share. Nine month profit declined 9% to $85.3 million, or $2.84 a share, from $94.1 million or $3.24 a share. Nine month sales fell 2%, from $2.94 billion to $2.84 billion.

Paper operations earnings were below the year-ago level, while profit from packaging and office products was flat. The wood products segments posted profit after a year-ago loss, which the company attributed to the success in streamlining and consolidating operations within the business.

Weyerhaeuser, the industry leader, similarly incurred nine month and third-quarter sales declines. The company's forest products markets continue to remain depressed and the overcapacity in the white paper, wood pulp is holding down prices, the company reported.

Third quarter sales amounted to $1.2 billion, or 24¢ a share, compared to last year's nine-month sales of $1.3 billion, or 40¢ a share. Net earnings for the first nine months was $136.5 million (down 31%) on sales of $4 billion (down 4%).

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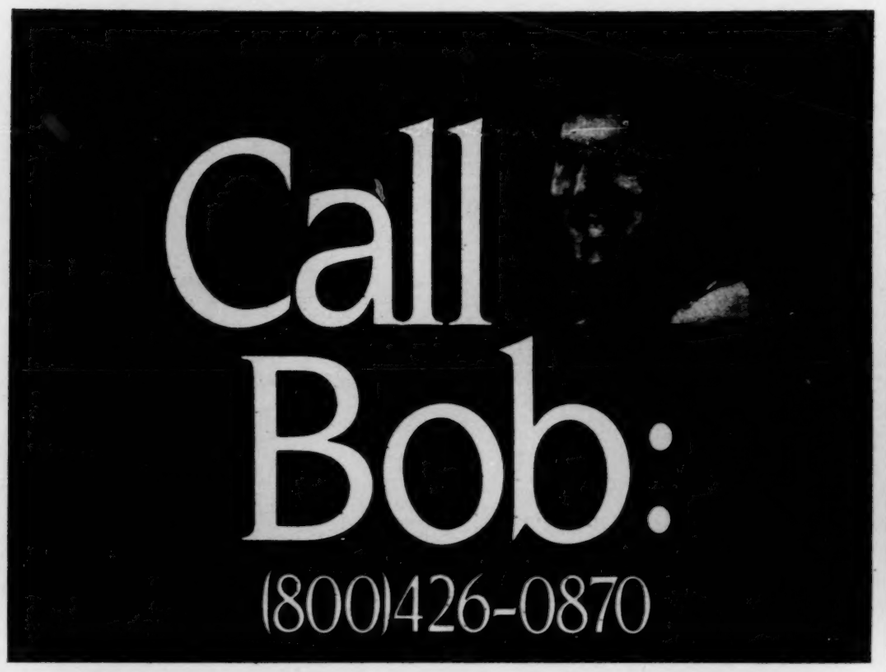

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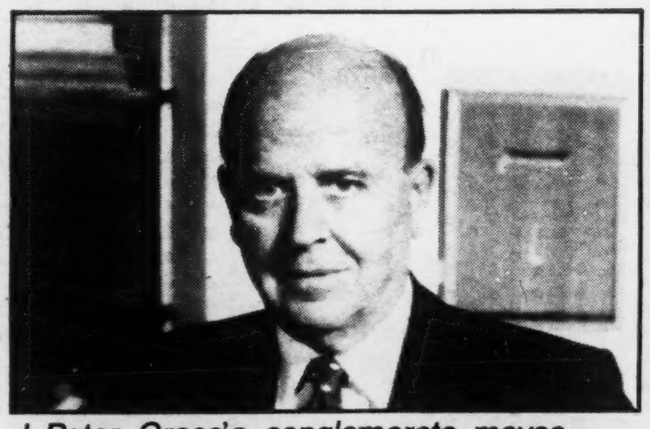
Grace would sell home centers individually

Competitors size up chains; One LBO considered

By Brad Altman
NHCN staff editor

NEW YORK — W. R. Grace's surprise decision to sell its retail empire—dominated by its $1.5 billion home center division—is expected to have long-range implications for the entire DIY industry.

Indeed, Grace's announcement last month of a restructuring move in which it will concentrate on its chemical businesses and retrench from retailing has had immediate industrywide impact.



J. Peter Grace's conglomerate moves closer to the core chemical business founded by his grandfather, with the decision to sell the retail group.

Grace retail at a glance (Sales: $2 billion—660 units)

Specialty stores	Units
Bermans, Minneapolis, specialty leatherwear	133
Herman's Sporting Goods, Carteret, N.J.[1]	119
J. B. Robinson Jewelers, Inc., Cleveland	83
Sheplers, Inc., Wichita, Kan., western wear	8
Total	343
Home Centers (sales; $1.5 billion[2])	**Units**
Central Region (Handy City, Handy Dan House Works)	108
Channel Home Centers	101
Grace Home Centers West (Allwoods, Cashway Handy Dan Colorado, Ole's)	84
Orchard Supply Hardware	21
Home Quarters Warehouse	3
Total	317

[1]Publicly traded, Grace has 54% interest
[2]*NHCN* estimate
Store count as of Sept. 30, 1985
Volume for 12 months ended Sept. 30, 1985
NHCN chart

Since entering the home center industry in 1976 with its purchase of Atlanta-based Handy City, W. R. Grace grew, mostly through acquisition, into the largest company in the industry, when measured in DIY sales, and the first national chain.

Whether that chain would be sold as a whole or in pieces was not yet clear. Uncertainty faced the chain's competitors, suppliers and 14,000 store-level and executive employees as well as another 7,000 employees of the Grace specialty stores.

Competitors are weighing the pros and cons of bidding for suddenly available real estate, although it remains possible that a single company may pick up the entire retail group, which is reportedly valued at between $500 million and $600 million.

In fact, prior to its public announcement that the retail group was for sale, Grace "had discussions" with a company interested in buying the group, but the deal didn't proceed, according to Fred Bona, Grace vp for corporate com-

(Continued on page 46)

Evans presents reorganization plan as lenders file with court

Personality conflicts continue to obstruct bank negotiations

By John Caulfield
NHCN staff editor

NEW YORK — Victor Posner would step down as chairman of Evans Products, the company's retail division would remain a viable entity, and vendors would receive what one source said would be "an extraordinarily high return" on the debt they are owned in a plan for reorganizing the company under Chapter 11 that was presented to trade creditors by Evans on Dec. 11.

This plan came on the heels of another reorganization proposal presented to vendors by Evans' bank lenders some weeks earlier. The banks, according to a source close to the bankruptcy proceedings, were expected to file their plan with U.S. Bankruptcy Court in Miami in mid-December, at which point Evans is expected to counter with a filing of its own.

"I can assure you that if the banks file, Evans will file, too," said this source.

These prospective filings of reorganization plans would occur amid tensions among Evans, the vendors, the banks and their attorneys. These tensions, according to knowledgeable sources connected with each constituency, have served to hinder negotiations and are part of the reason why two reorganization plans are about to be filed instead of

(Continued on page 46)

Rapid growth plan leads Belknap into bankruptcy

By Laura Liebeck
NHCN staff editor

LOUISVILLE, Ky. — Belknap Inc., the privately owned hardware wholesale distributor based here, filed for protection from its creditors under Chapter 11 of the federal bankruptcy code on Dec. 4, in Louisville.

The formal petition listing Belknap's schedule and statement of affairs was to have been filed by Dec. 19.

The preliminary filing lists assets of $97 million and liabilities of $112 million, $60 million of which is secured debt, held by five banks, and the balance, $52 million, is in trade debt, according to the document filed in U.S. Bankruptcy Court in the Western District of Kentucky, Louisville Division. Belknap has approximately 7,500 unsecured trade creditors.

(Continued on page 45)

NEWSBREAKS

PITTSBURGH GETS FIRST WAREHOUSES. Hechinger opened two warehouse home centers in Pittsburgh Dec. 11, marking the initial entry of that type retail outlet in the market. One unit is located east of the city in Monroeville. The other is south of downtown in West Mifflin.

Homecrafters foresees no slowdown during Ch. 11

BIRMINGHAM, Ala. — Homecrafters Warehouse does not expect any material interruptions of its traditional home center operations as a result of its Dec. 6 filing for Chapter 11, a company spokesman said.

In turning to the Federal bankruptcy code for protection the company cited difficulties encountered in terminating the leases it held on its 11 warehouse stores.

"Cash was in short supply, so that it became a matter of either paying the leases or the vendors," noted Dick Shepperd, cfo of the company, which also operates 28 traditional home centers in the Southeast and lost $4.8 million on sales of $156.4 million during the fiscal year ended Jan. 31, 1985. Losses continued throughout last

(Continued on page 45)

Honing of firms' internal operations drives economic strategies for 1986

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — For most home center operators, 1986 is starting to look like a year in which a refinement of internal operations will have to be the driving force for greater profitability. The rapidly expanding economy that drove home center sales and profits to new heights in 1984 petered out last year, and there are few indications that a rebound is in the offing.

Housing starts, for example, are expected to decline by 6% this year, to a level of 1.75 million units, according to Value Line, the New York research firm. Next year they could be off again, by about 100,000, as the economic recovery moves through its fourth year.

Consumer credit outstanding as a percentage of disposable income has risen rapidly to a level of almost 19%, so that Value Line is forecasting that "there may be only modest consumer spending growth in 1986."

Most home center operators point to the combination of level housing starts and high consumer debts as the two most important depressants on forecasts for 1986 sales.

"I don't see an ebullient economy for the first half of

(Continued on page 5)

'I don't see an ebullient economy for the first half of 1986. . . . [Making matters worse], the forcing of automobile sales took many discretionary dollars that would otherwise have gone for large project sales.'

—David Stanley,
president,
Payless Cashways

NHCNews Briefs

Industry Update

Pergament to add up to 6 units

MELVILLE, N.Y. — Pergament Home Centers hopes to maintain its quickened expansion pace by opening five or six new stores this year, according to Bruce Pergament, vp-administration. Two of those new stores will be warehouse-type units of at least 50,000 sq. ft. in Riverhead and Patchogue, both in the company's primary Long Island trade area. The other locations will fill in Pergament's existing tristate market area of New York, New Jersey and Connecticut.

"We're not looking to take over the world," commented Bruce Pergament, "but we're committed to making ourselves dominant here in the New York area."

After several years of flat net new store growth, Pergament expanded its store count by approximately four units in 1985. In addition, the chain enlarged its total retail square footage significantly converting nine smaller units to the larger warehouse format last year.

Hinckley employees buy firm

HYANNIS, Mass. — Independent Hinckley Home Centers reached an agreement on Nov. 1 for the sale of its three units to employees through its Employee Stock Option Plan. The group, headed by controller Frank Wheldon Jr., has yet to appoint new officers.

The family-run company, founded in 1872, had an estimated sales volume of $14 million in 1984. It will continue as Hinckley Home Centers operating units in the Cape Cod towns of Dennis, Harwich and Hyannis.

The older family members—John Hinckley, president, gm, and Frank Hinckley, executive vp, treasurer—will take a less active part and pursue other financial interests. David Hinckley will become lumber buyer and Stephen Hinckley will also remain with the company.

Triangle names new vp/gm

QUAKERTOWN, Pa. — Martin C. Schaeffer has replaced Thomas Ostrander as the vice president and general manager for the four-unit Triangle Building Supply chain here, which reportedly is on the verge of a "major expansion" in 1986.

An executive source at Triangle, who asked not to be named, said the management switch was made because the retail chain "was not meeting its objectives." Presumably, the chain's sales and profitability lagged behind the company's expectations, and stymied Triangle's expansion plans, which were to have at least three new units opened in 1985.

Schaeffer, whose responsibilities will not differ markedly from those Ostrander had, previously worked for the Grossman's chain, where he was a district manager, and for Montgomery Ward.

Building material sales top $6B

WASHINGTON — Retail sales at building material and supply stores, which had been on a fairly even keel since May, swelled over the $6 billion mark in September and crested to a 12-month peak in October at $6.783 billion, according to unadjusted preliminary figures released by the Commerce Department. And, although that wave of building material stores sales subsided somewhat in November, that month's advance unadjusted figure of $6.010 billion was still some 40% over the same month of the previous year.

Unadjusted preliminary sales from building materials and supply stores in October rose 5.1% above the previous month to $6.783 billion. In September, building material and supply store sales hit $6.456 billion, a 26.5% leap over the previous month.

Hardware store sales in October were up 17.4% over the previous month, according to preliminary unadjusted figures, to $952 million, about the same level as a year-ago.

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New DIY trade show set for New York

NEW YORK — Home Improvement retailers will have yet another trade show to add to their menu next year: DIY Marketing '86, scheduled for next October in New York City.

Jerome Charnizon, president of Continental Exhibitions Inc., of New York, the show's organizer and manager, said the new DIY trade show will fill a void in New York "the world's greatest market for hardware and home improvement products."

The Big Apple has not hosted a DIY trade show in 12 years, when the Hardware Show left the city for permanent headquarters in Chicago.

"The primary motivating factor [for this show] is that the New York market is not being serviced," Charnizon said.

Also, research has shown, he said, that most show attendees travel only 200 miles from home to attend a trade show.

"And besides, ours will not be just another hardware show, it will focus all of its attention on the flourishing DIY marketplace," added Charnizon, who until 1984 was director of sales and marketing for Clapp & Poliak, a trade show management company.

Charnizon said this exposition has reserved space in the convention center every October through 1989.

This show will have 120,000 sq. ft. of exhibition space and is expected to attract 600 exhibitors, he said. Booth space will lease for $12 per square foot.

So far, no booth space has been reserved. Continental Exhibitions has just mailed out its brochures on the show inviting reservations. But Charnizon said he already has 200 companies who have expressed an interest in the show.

Cooney, Cohen named to Hall of Fame

CHICAGO — Scotty's vice chairman Ray Cooney and Somerville Lumber president Harold Cohen will be inducted into the Home Center Hall of Fame at this year's National Home Center Show in March.

Cooney and Cohen will join the ranks of Hall of Famers Robert Strickland, Lowe's chairman and last year's inductee, as well as inaugural Famers Richard England, chairman of Hechinger, Bernard Marcus, chairman of The Home Depot and George Milne, an industry consultant.

The Hall of Fame inductees are chosen by the vote of over 200 retailer members of the Home Center Leadership Council. The Hall of Fame was established two years ago to honor men and women who have made significant contributions to the home center industry.

Cooney joined Scotty's in 1968, when the Winter Haven, Fla.-based chain had 17 stores and sales of $12 million. He was named president and chief operating officer in 1978, and became vice chairman in 1985, when the company ended its fiscal year in June with $453.4 million in sales.

Cohen, along with his brother Melvin, had built their Somerville, Mass., company into one of the strongest independents in the home center industry when the then-two unit firm was purchased by Payless Cashways in March 1984. Harold was elected to Payless' board of directors later that year. The now three-unit company contributed over $60 million to Payless' sales coffers last year.

The Home Center Leadership Council also named Max Knell, chairman of Ole's Home Centers, and Vernon Furrow, retired chairman and founder of Payless Cashways, as the recipients of its 1986 Pioneer Awards.

Depot raises long-term debt ceiling

ATLANTA — The Home Depot has arranged for a higher ceiling on its long term debt and has taken the initial steps to diversify its capitalization through new sale leaseback arrangements and industrial revenue bonds.

The chain of 48 retail warehouse home centers said the new round of financing, which provides for an additional $160 million, should take care of its needs for the next several years.

"We're driven based on future plans and the number of stores we want to open," said cfo Ronald M. Brill. "We're willing to generate some high leverage now, because we know we will bring it down in the future."

The primary element of the new financing was a $200 million, eight-year revolving credit agreement with a group of eight banks. The new agreement replaces an existing $75 million revolving loan and a $25 million working capital line.

The company is also negotiating for $48 million worth of sale leasebacks covering up to 10 existing store locations.

Highlights in this issue

Perspectives — cover story

DISTRIBUTION CENTERS: New Efficiencies Shave Inventory Costs—Stimulated by the need to maximize the return on their investments in inventory when new competition is sharpening shelf prices, chains are looking at new ways to get merchandise to their store's shelves faster and cheaper. **19-22**

merchandising

Rampant buybacks begin to worry suppliers—A wider range of products are being subjected to buybacks, which suppliers say are impacting their bottom lines. Retailers claim they change vendors sparingly, noting buybacks are necessary. **26**

people

The man who would be Tool King—With the missionary zeal that marks many entrepreneurs, Don Cohen is impatiently waiting for the day when Tool King becomes a national chain. **38**

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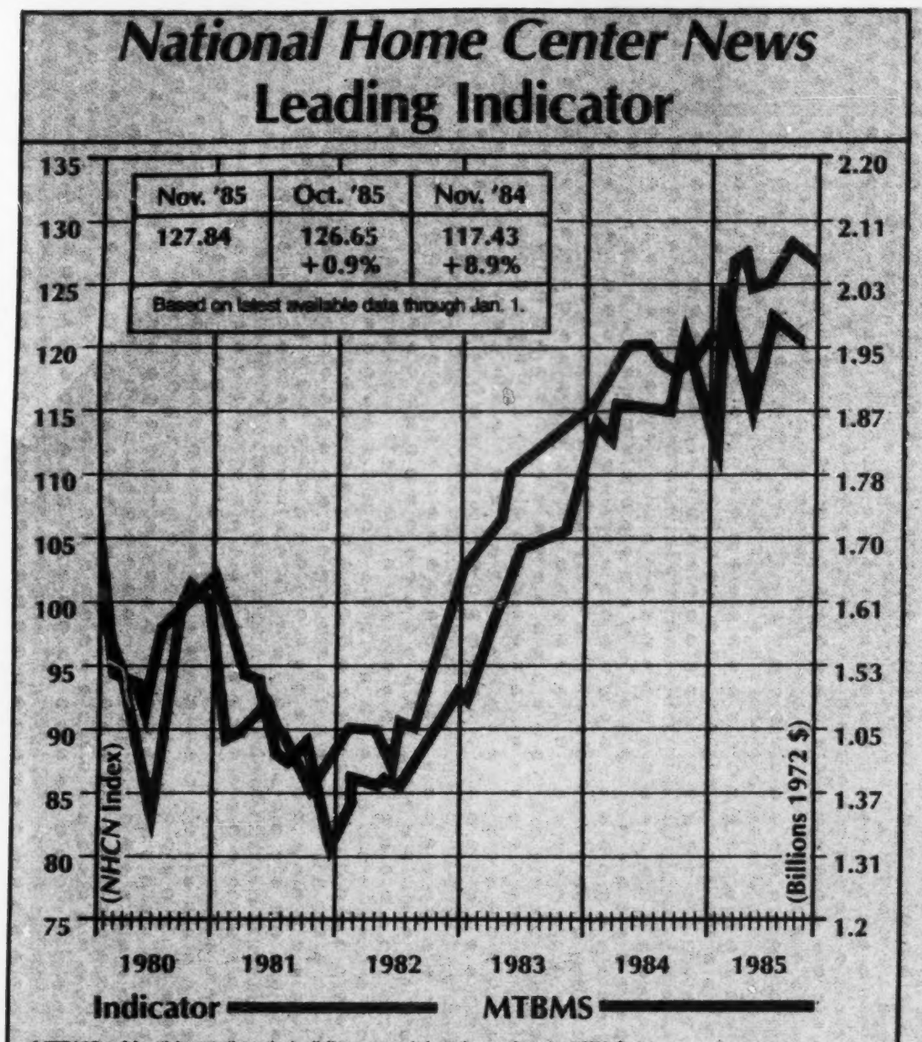
market analysis

Warehouse chains awaken to Cleveland's potential—The budding interest in developing Cleveland's DIY potential, has led a number of chains, including DIY Home Warehouse and Builders Square, to open local units and has triggered an intense price war. **40**

BUSINESS WATCH



MTBMS—Monthly retail trade building material and supplies in 1972 $.

Indicator—Represents projected level of retail building supply sales activity four to six months out from current month. Data based on real personal income, housing starts, resales, prime rate and other data.

Solid gains predicted for 1986

Beginning with this issue, National Home Center News *introduces "Business Watch."*

Developed by Merrill Lynch Economics, through an exclusive arrangement with National Home Center News, *"Business Watch" will be a regular feature appearing in every issue. This new series is designed to give readers a summary and forecast of retail building material sales activity, as well as the factors behind it.*

In addition, this is the start of the new National Home Center News *Leading Indicator Index. The Index is a measure of anticipated sales activity four-to-six months from now, also developed exclusively for* NHCN *by Merrill Lynch Economics. (For more information, see page 8.)*

Richard Mount

By Richard E. Mount
Special to NHCN

In 1986, retailers of building materials and supplies can expect a 6% increase in unit sales, following an estimated rise of 4% in 1985. Demand will be strong for both-do-it-yourself and contracted work, as housing starts are expected to rise 2% and sales of new and existing homes have spurted.

Recent economic trends indicate increases in sales of building materials, according to the *National Home Center News* Leading Indicator, a new index measuring anticipated sales activity for building material retailers being introduced with this issue. Among other factors:

ECONOMIC ISSUES

Real GNP expanded at an annual rate of 4.3% in the third quarter, up from 1.9% in the second and 0.3% in the first. Much of the third-quarter gain came from auto sales incentive programs. The quarter also got boosts from defense spending and government purchases of farm commodities. These stimulants were not repeated in the fourth quarter.

The economy will grow faster this year than last year. The dollar will decline 10%, reducing the price advantage of imports while boosting domestic production and exports. Manufacturing industries will benefit most. Inflation will stay low, mostly because of small increases in food and energy prices. Mortgage rates will decline in the first half and rise slightly in the second half.

HOUSING MARKETS

Housing is entering its fifth year of expansion, and pentup demand has been met. This will prevent housing from staging a dramatic upturn when mortgage rates decline. Low gains in resale values have reduced investment incentives for housing. Starts, new sales and resales will move marginally higher in early 1986 because of lower interest rates and improved income and employment gains. Multiunit activity will rise as concerns diminish about the repeal of deductions for second homes and state and local taxes and of investment tax credits for rental units. But housing will soften in the second half of this year, when interest rates will rise and multiunit starts will taper off.

Sales of building materials will remain strong throughout 1986. Improvement will vary by region and will be stronger in the first half than the second.

The decline in the dollar will be a mixed blessing for sales of building materials. Regions most dependent on manufacturing will be helped most. Pittsburgh, for example, will benefit from a weaker dollar. But prices of imported building materials will rise and hurt sales, particularly in markets near ports of entry into the country, where sales of imported materials are strongest.

Lower inflation will boost the purchasing power of consumers and thus help sales of building materials. But falling oil prices will continue to hurt energy dependent cities.

Rising mortgage rates in the second half of 1986 will benefit sales of building materials. Homeowners will be encouraged to make major additions to existing homes rather than relocate.

(Continued on page 5)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Economic Outlook—Part One

	Latest Available Data	1985				1986						
		QI	QII	QIII	QIV[e]	QI[p]	QII[p]	QIII[p]	QIV[p]	1984	1985	1986
NHCN Leading Indicator (January 1980 = 100)	Nov.	120.2	124.3	124.5	127.1	127.1	127.6	128.0	128.4	117.8	124.0	127.8
GNP $1972 Billion	QIII	1,663.5	1,671.3	1,688.9	1,697.9	1,709.1	1,722.4	1,737.5	1,753.0	1,639.3	1,680.4	1,731.0
Housing Permits (000 SAAR)	Oct.	1,667	1,731	1,760	1,710	1,730	1,700	1,650	1,630	1,682	1,715	1,675
Housing Starts (000 SAAR)	Oct.	1,795	1,772	1,664	1,780	1,825	1,800	1,750	1,740	1,750	1,750	1,780
New Home Sales (000 SAAR)	Oct.	670	680	716	700	720	720	690	680	639	690	705
Resales (000 SAAR)	Oct.	2,970	3,047	3,363	3,275	3,250	3,250	3,200	3,150	2,868	3,165	3,210
Prime Rate %	Nov.	10.5	10.2	9.5	9.5	9.25	9.0	9.25	9.5	12.0	9.9	9.3
Mortgage Rate % (HUD)	Nov.	13.0	12.9	12.1	11.9	11.5	11.6	12.0	12.1	13.8	12.5	11.8
Consumer Price Index (1967 = 100)	Oct.	317.8	321.1	323	325.5	328.2	3331.0	334.2	337.3	311.1	321.9	332.7
Producer Price Index (1967 = 100)	Oct.	292.1	293.8	293.2	294.7	296.6	298.6	300.5	302.6	291.2	293.4	299.6
New Housing Affordability (1980 = 100)	Oct.	110.3	109.0	116.0	118.9	120.4	119.6	116.5	116.5	102.2	113.9	118.3

Residential Alterations and Repairs

Current

Total $ Millions (SAAR)	QII '85	84,900	71,100	70,533	72,885	75,454	77,727	80,309	82,752	69,784	74,854	79,060
Maintenance & Repair	QII '85	37,300	32,800	30,870	32,055	33,083	34,128	35,192	36,273	28,894	33,256	34,669
Additions & Alterations	QII '85	29,700	26,100	26,656	27,343	28,218	28,947	29,777	30,440	27,822	27,450	29,345
Major Replacements	QI '85	17,900	12,300	13,007	13,487	14,153	14,652	15,340	16,040	13,067	14,174	15,046

Constant

Total Millions ($1977 SAAR)	QII '85	49,739	41,465	40,670	41,610	42,650	43,500	45,400	41,134	43,371	44,013	
Maintenance & Repair	QII '85	21,853	19,102	17,800	18,700	19,100	19,500	19,900	17,029	19,264	19,300	
Additions & Alterations	QII '85	17,400	15,200	15,370	15,610	15,950	16,200	16,500	16,700	16,406	15,895	16,338
Major Replacements	QII '85	10,487	7,163	7,500	7,700	8,000	8,200	8,500	8,800	7,699	8,213	8,375

Retail Trade Activity

	Latest Available Data	1985				1986						
		QI	QII	QIII	QIV[e]	QI[p]	QII[p]	QIII[p]	QIV[p]	1984	1985	1986

Current

Total $ Millions (SAAR)	Nov.	1,339,688	1,374,052	1,403,728	1,389,600	1,412,455	1,435,138	1,456,935	1,484,099	1,297,015	1,376,767	1,447,157
Total Motor Automobile	Nov.	1,043,440	1,062,084	1,071,676	1,089,492	1,092,597	1,079,970	1,124,180	1,142,112	1,020,007	1,066,673	1,116,715
Building Material, Hardware, Garden Supply, Mobile Home	Nov.	69,816	72,824	73,132	74,656	76,707	77,682	78,703	79,666	68,703	72,207	78,189
Building Material & Supply	Oct.	50,468	53,012	53,248	55,937	56,565	57,408	58,439	59,295	49,774	53,166	57,927
Hardware	Oct.	9,844	9,984	10,256	10,489	10,502	10,537	10,666	10,796	9,530	10,143	10,625

Constant

Total $ Millions ($1972 SAAR)	Nov.	636,632	651,792	664,008	656,708	660,900	664,865	668,280	674,008	621,128	652,285	667,011
Total Motor Automobile	Nov.	497,904	585,112	589,272	518,556	514,885	516,960	519,330	522,390	489,405	507,711	518,391
Building Material, Hardware, Garden Supply, Mobile Home	Nov.	30,476	31,988	32,537	33,078	33,630	33,748	33,845	33,920	31,185	32,800	33,789
Building Material & Supply	Oct.	22,284	23,484	23,690	24,840	24,670	24,798	24,983	25,180	22,623	23,525	24,886
Hardware	Oct.	4,344	4,424	4,563	4,620	4,580	4,550	4,560	4,570	4,334	4,488	4,755
Building Materials % of Total Motor Automobile ($ Current)	Oct.	4.84	4.99	4.97	5.13	5.18	5.18	5.20	5.19	4.88	4.98	5.19

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors

Department of Housing and Urban Development
Dec. 13, 1985

SAAR—Seasonally Adjusted Annual Rate
e—estimate
p—projection

NHCN chart
Source: Merrill Lynch Economics for *NHCN*

FINANCIAL NEWS

Honing of firms internal operations drives economic strategies for 1986

(Continued from page 1)

1986," said David Stanley, president of Payless Cashways, the chain of 169 home centers based in Kansas City, Mo. Making matters worse were recent offers of low interest loans by auto makers. "The forcing of automobile sales took many discretionary dollars that would otherwise have gone for large project sales," said Stanley.

Lowe's is forecasting that 1986 will be about the same as last year in terms of economic growth, with a 4% inflation rate. And Hardware Wholesalers Inc., the Fort Wayne, Ind.-based dealer organization serving 2,360 member stores, is looking for what vp of marketing Mike McClellend calls a "fairly" good year for 1986. While sales are up 11% to 12% for the past five months, the wholesaler expects more like a 9% annualized increase for its fiscal year that ends next June.

Home center companies, however, may be aided by easier quarterly earnings comparisons than they had last year. During 1985, earnings comparisons were hit hard by the raging successes of the previous year. At the same time, companies instituted new store formats and internal operating procedures that may pay off over the next 12 months.

Home centers are not alone in coming off last year less successful than the previous one. For the first nine months of 1985, retail sales in general rose 6.6% over the same period the previous year, while the comparable performance level in 1984 was 11.6%.

If home center operators are concerned about consumer debt and a leveling of housing starts, they look to a continuing low cost of money as one important prop for sales.

"The ray of hope is projected lower interest rates," said Donald Kole, president of Builderama, a chain of six home centers based in Savannah, Ga. Such lower rates, Kole and other operators feel, could encourage some big ticket projects that would otherwise be delayed by consumers and builders.

A stable mortgage rate, in the 12% range, was cited by the National Lumber and Building Material Dealers Association as a primary reason for the sales rebound in their primarily contractor-oriented membership in 1985, and acting executive vp Harry J. Horrocks II, said that he expected the rate to remain stable for the foreseeable future.

"Interest rates are very important," said Harold Cohen, president of Somerville Lumber, the three-unit chain whose 1985 sales have been running 16% ahead of projections. "If they remain low, housing starts in this area will continue to rise." Somerville expects to see rising demand from baby boomers.

The cost of imported goods is expected to rise in 1986, primarily because of the declining value of the American dollar, according to a new report from Merrill Lynch. That could shock an industry that has come to rely heavily on imports, it would seem. Yet, it may well be that the net effect of higher prices on imports may actually help retailers.

(Continued on page 6)

3Q results reflect flux of 1985 retail environment

NATIONAL REPORT — For most of the nation's home centers, third-quarter operating results reflected a softened selling environment and heightened competition in major markets. Both quarterly and year-to-date comparisons were made more difficult by last year's robust activity.

Lowe's, the chain of 280 stores based in North Wilkesboro, N.C., reported revenues of $549 million for the third quarter that ended Oct. 31. While that was an increase of 23% over the same period last year, net income actually fell, by 12%, to $15.6 million.

For the nine months that ended Sept. 31, the chain reported a 22% increase in sales, to $1.6 million, and a 5% drop in net income, to $48.4 million.

Lowe's indicated its earnings problems were caused by a variety of factors, most of which would strike a familiar cord in other home center chains across the country (see chart). The chain experienced

(Continued on page 45)

Solid gains predicted for 1986

(Continued from page 4)

The decline in housing starts toward the end of 1986 will influence the composition of building-materials sales to contractors. Goods used in the later stages of construction, like paint and carpeting, will be in greater demand at year-end than brick or cement.

NHCN LEADING INDICATOR

By way of introduction *National Home Center News* commissioned Merrill Lynch Economics to develop a leading indicator of real retail sales volume of building material and supply stores. The index combines current levels of resales, housing starts, interest rates and real consumer income to monitor building sales four to six months ahead. The index is analogous to the Commerce Department's Leading Index, which signals future changes in the economy.

The NHCN Leading Indicator is a strong predictor of sales. Although it does not always match specific peaks and troughs of monthly data, it clearly indicates future trends and suggests when up or down sales are temporary and due for a correction.

The *NHCN* Leading Indicator has risen sharply into the fourth quarter of 1985, indicating strength in sales into the first half of the year. The continued strength in resales and income for the year point to an increase in the index and a solid gain for 1986.

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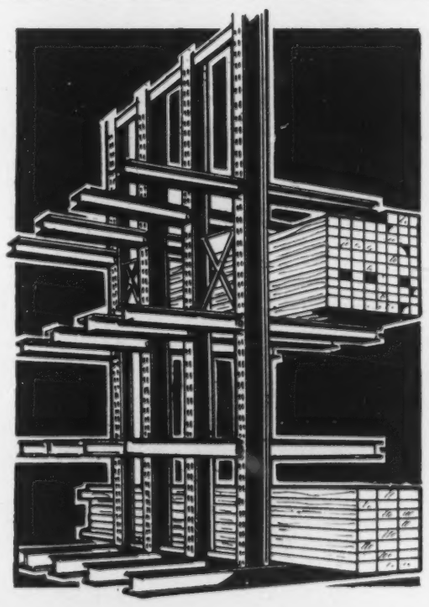

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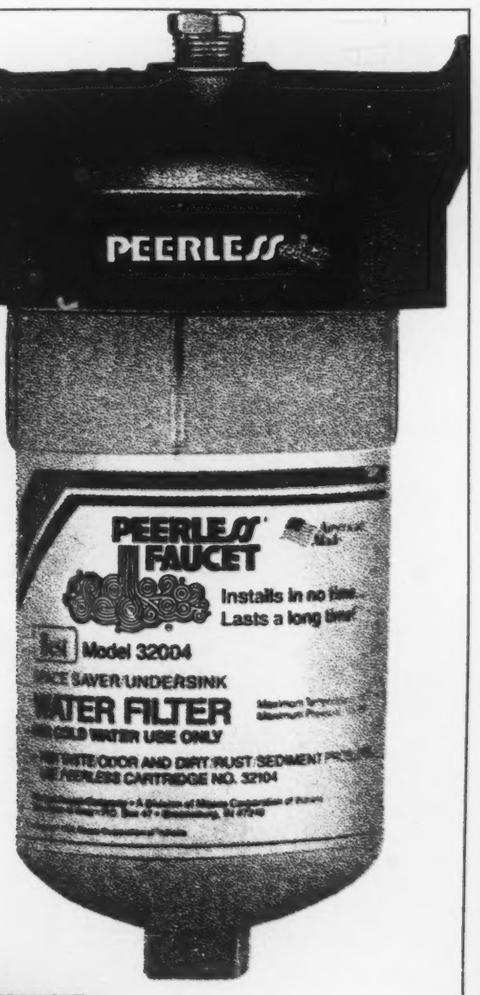

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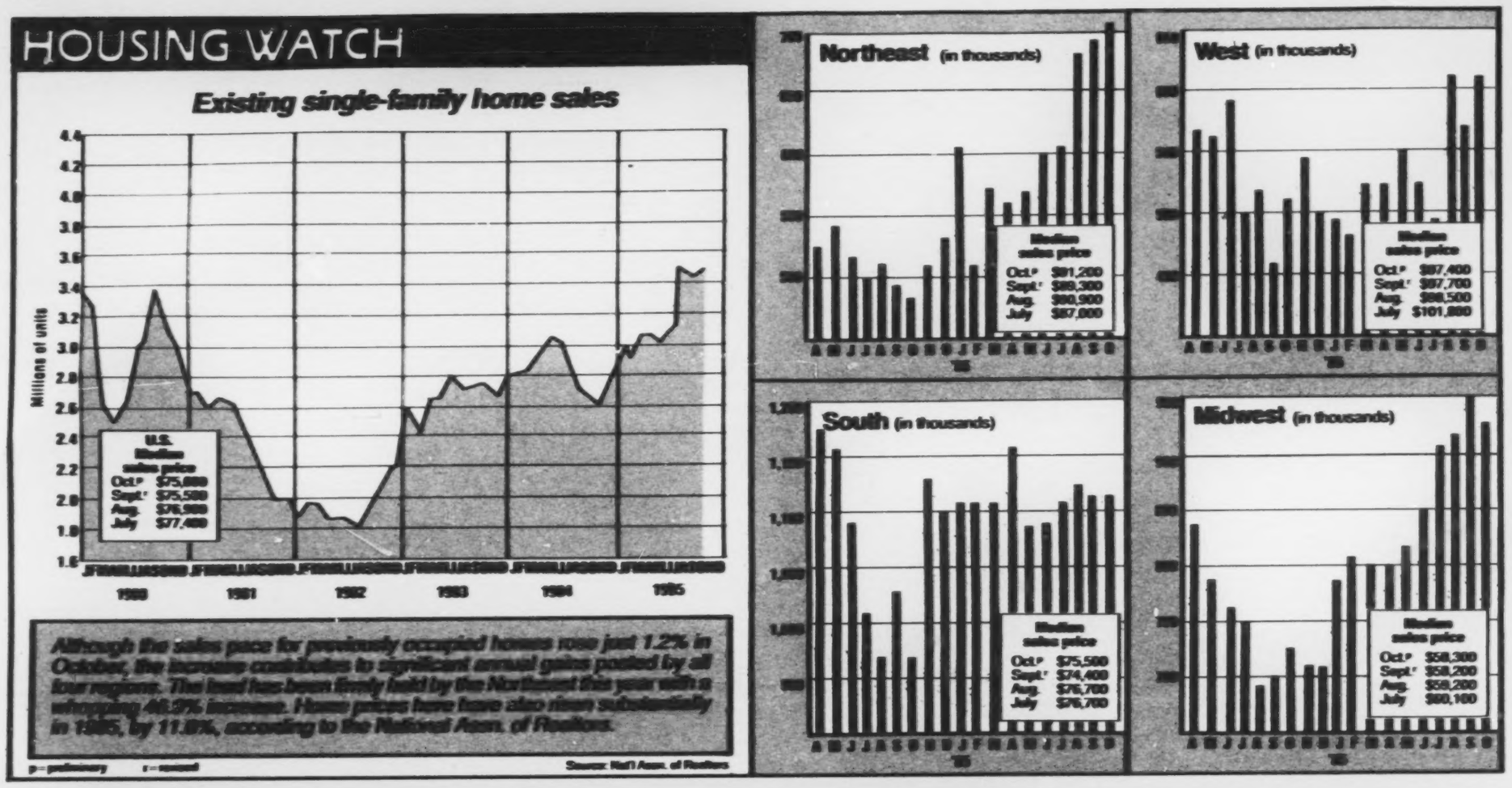

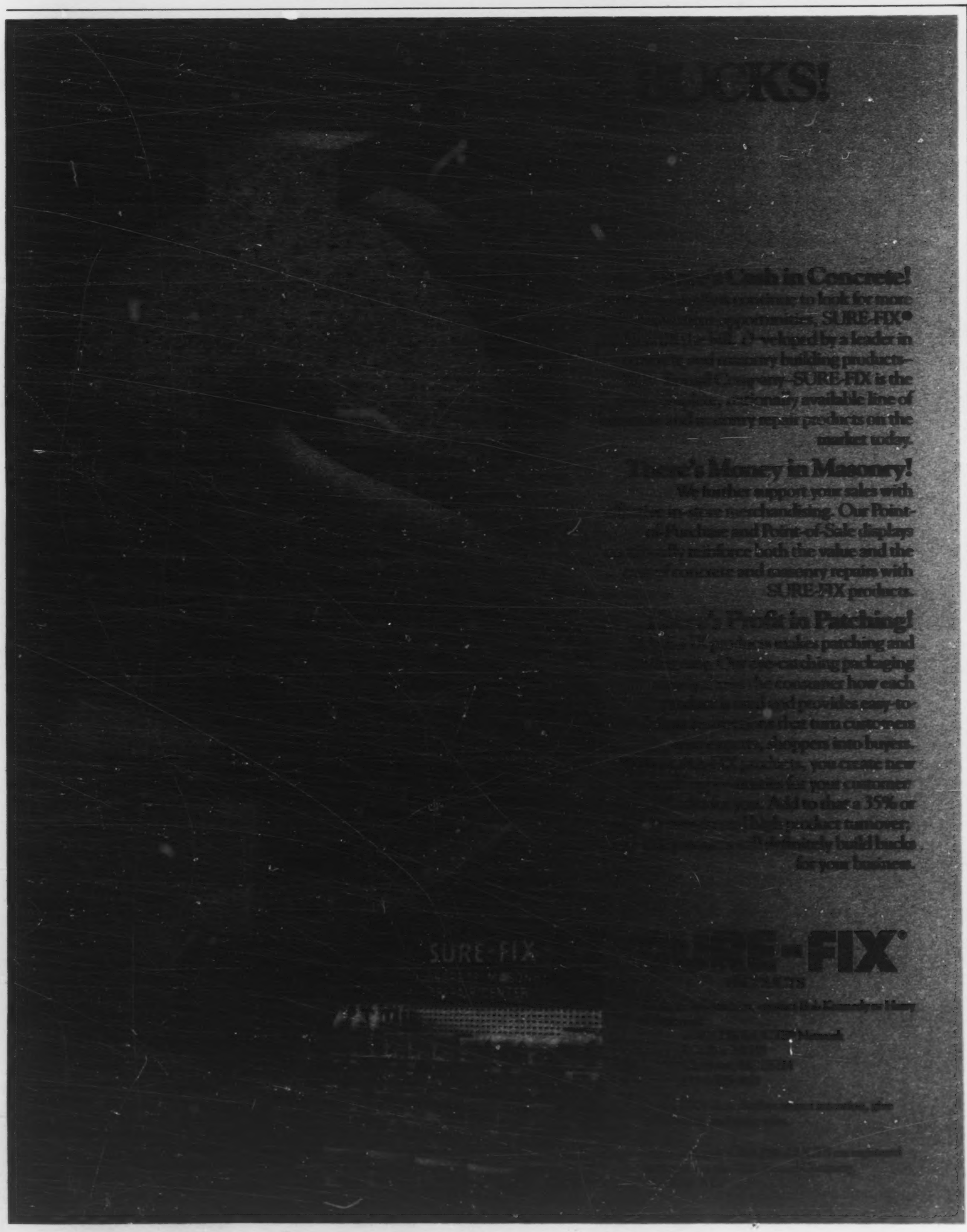

Resales inch up 1.2% in Oct. to 3.49 million

NATIONAL REPORT — Existing single-family home sales inched up 1.2% in October to a seasonally adjusted annual rate of 3.49 million units, according to the National Assn. of Realtors.

The resale rate has now been above the three million-unit mark for eight consecutive months.

"Not since record high home sales years of 1976-79, when mortgage interest rates were in the 9% to 11% range, has the annual pace of existing single-family home sales been above the three million unit mark for this length of time," noted Jack Carlson, NAR's chief economist and executive officer.

Although mortgage rates did climb slightly in October, they are still much lower than the 13.04% charged last year at this time.

The Federal Home Loan Bank Board listed the average effective interest rate on loans closed for previously occupied homes at 11.30%, up 0.10% from September.

These lower mortgage rates, plus other economic factors, have had a positive effect on housing affordability, the association said.

"With home prices rising only modestly now and family incomes increasing about 5% so far this year, housing affordability conditions are relatively good, and the outlook for future appreciation of housing investments made today is very positive," commented Clark E. Wallace, the NAR's newly elected president.

The NAR is reporting that its affordability index stood at 97.8 in October. This means that house-hunters had nearly 98% of the income needed to afford an 80% mortgage on the median-priced home, which in October was $75,600, the association said.

October marked the third consecutive month that the index was above 95.

The $75,600 median-priced home cost was $100 above the September level.

Home prices rose in three regions: Northeast, up $1,900 to $91,200; South, up $1,100 to $75,500; and Midwest, up $100 to $58,300. The West recorded a $300 home price decline, to $97,400, according to the association.

Sales activity, however, only increased in two regions in October; in the West, up 7% to 610,000 units, seasonally adjusted, and in the Northeast, up 4.3% to a seasonally adjusted 720,000 units.

In the South, the resale rate for existing homes was unchanged at 1.23 million units, seasonally adjusted. The sales pace declined in the Midwest by 2.1% to a seasonally adjusted 930,000 units.

Compared to last October, the regions are an average 29% ahead in sales activity. The gains were led by the Northeast with 46.9%. The Midwest was second with a year-to-year sales pace increase of 25.7%, followed by the South with 25.5% and the West with 17.3%.

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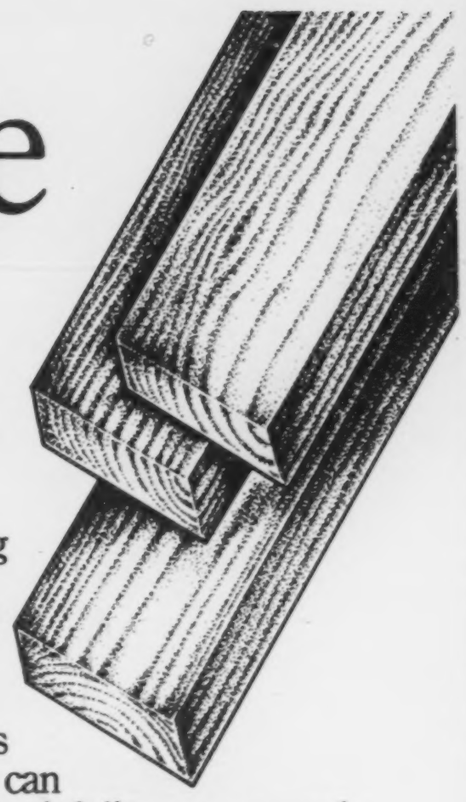

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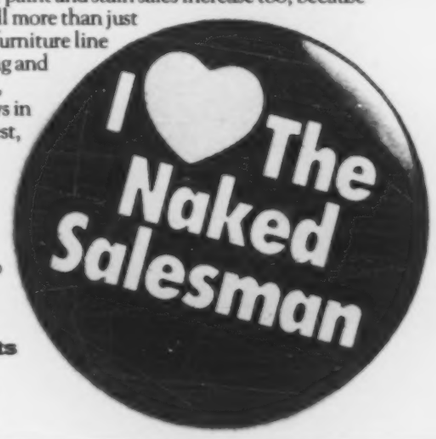

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Potlatch

LUMBER REPORT

Forest producers move to foil new round of takeover attempts

NATIONAL REPORT — A new phalanx of corporate raiders has set its sights on what appears to be an increasingly popular target for acquisition: forest products producers.

The zeroing-in on the forest product producer comes, ironically enough, at a time when the industry is not doing particularly well. Throughout the industry, financial performances are disappointing, mills are idle and competition by Canadian imports remain intense.

Like the highly publicized corporate raids in the communications, airlines and energy fields earlier this year, the offensive moves by the raiders and the defensive ploys of the targets in the forest industry is daily reading in the nation's business pages.

Just within the past two months, the Potlatch Corp. and the Pacific Lumber Co. were set upon in hostile takeover moves, the outcomes of which are still unfolding.

The fear of being taken over has even prompted the giant, diversified forest products concern, Weyerhaeuser Co., to adopt special, antitakeover shareholder options to thwart would-be invasion.

Potlatch Corp., in a similar vein, has also developed antitakeover moves to stymie the Belzberg family of Vancouver, British Columbia, which offered to buy the company for $692.5 million, or $45 a share. Potlatch president Richard Madden immediately scoffed at the offer and supported a proposal by the board of directors to allow each shareholder of two years standing or more to have four votes, rather than one, in deciding upon tender offers. With more than 40% of Potlatch's shares owned by the founding family, analysts say the proposal, if approved, would make a hostile takeover nearly impossible.

The current spate of takeover attempts comes about a year after the controversial acquisition of the Crown Zellerbach Corp. by British financier Sir James Goldsmith and the gobbling-up of St. Regis Corp. by Champion International.

Analysts believe that forest products producers have become vulnerable takeover objects because the value of their holdings in timberland, sawmills and real estate is not accurately reflected in the price of their stock.

Mark S. Rogers, an analyst with Dean Witter Reynolds is one of many who believe the common thread that ties the various takeover bids together is that the raiders are tempted by the gap between asset values and stock worth.

"The key factor behind this is that the assets of these companies are substantially more than their equity value," Rogers said. "What this means is that it's a lot cheaper to buy somebody out, rather than having to start up your own operation."

Rogers said Crown Zellerbach and St. Regis were particularly attractive takeover prizes because their shares were selling far below their book value.

Although many forest products producers, for the most part, have had poor sales performances this year, Rogers indicated that downturns in revenues have a cyclical aspect and is not enough to discourage would-be raiders or diminish the value of a company's assets.

But other forest products industry watchers suggest that another reason for the takeover trend in the industry is that once a concern has been acquired, the raider stands to make more money by dismantling the company's operations and selling them off in a financial version of the "parts being greater than the whole."

Lawrence Ross, an analyst with Paine Webber, predicted that the Crown Zellerbach Corp. will eventually be broken up and sold. On the other hand, he speculated that the Maxxam Group—which has offered to buy the Pacific Lumber Co. for $870 million—will probably keep the company intact because of its sizable redwood timber holdings.

"I think you'll see a number of lumber companies being liquidated after they are acquired," Ross said. "It's only a matter of what's the market value of the asset."

But Nancy McCarter, an analyst with Value-Line an investment research firm, said there are no industrywide conditions triggering the assault on forest products producers and argued that each takeover case has its own distinctions.

"While its true that the value of the forest product producers stock is not representative of the potential earnings of the asset," McCarter said, "each situation is different.

"Whenever an industry goes through a difficult time, it presents an opportunity for people to look at it. For people in the industry, they look at each other to see if there are ways to join forces and get stronger."

Nevertheless, McCarter foresees more consolidation and takeovers as long as the industry's stock is selling below asset value.

Revelstoke sells largest mill to Slocan for $2.5M

CALGARY, Alberta — Revelstoke Companies Inc. has agreed to sell its largest lumber mill to Slocan Forest Products Ltd., for $2.5 million in cash plus the value of inventories and accounts receivable.

The transaction is expected to increase Revelstoke's consolidated working capital by $2.8 million, and decrease its total debt by $6 million.

The mill, located in Radium, British Columbia, historically accounted for about 75% of the company's lumber division sales. Slocan will assume the mill's lease obligations related to assets under capitalized leases totaling about $1.7 million.

The sale was announced simultaneously to the release of Revelstoke's third quarter financial report.

Earnings in the three-month period ended Sept. 30 were $1,921,000, compared to a loss of $800,000 for the same period a year ago. Sales in the third quarter rose 37% to $46,-228,000.

For the first nine months of the year, sales for Revelstoke, which runs 73 home improvement stores as one of its businesses, increased 13.2% to $115,720,000. The company suffered an earnings loss of $132,000, or a loss of 4¢ per share, but this compares favorably to the $6,445,000 loss Revelstoke incurred for the first nine months of 1984.

On Oct. 1, Revelstoke paid a 2½% stock dividend equivalent to $0.115 per Class A and B share, payable in Class A shares.

FUTURES

Two weeks ended Nov. 27, 1985

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's: $ per 1,000 bd. ft.

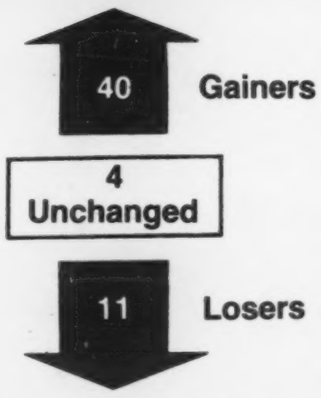
	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Jan. '86	148.70	143.80	148.00	144.90	3,801	187.30	133.60
March	153.70	149.20	153.60	150.40	1,636	195.00	139.70
May	159.50	154.10	159.00	155.40	726	176.40	145.20
July	162.20	158.40	162.00	159.00	208	183.40	149.50
Sept.	165.30	162.50	165.20	162.80	170	180.00	152.90
Nov.	166.00	161.00	166.00	162.80	84	166.90	153.00
Jan. '87	169.70	165.00	169.70	167.00	6	169.70	164.50

Total Contract Vol. (Through 11/27): 10,727 — **Previous Two Weeks: 12,778**
Total Open Interest (As of 11/27): 6,634 — **Previous Week: 6,614**
Cash Price: $147.00 — **Previous Week: $147.00** — **Year Ago: $156.80**

CME—Chicago Mercantile Exchange
*Figures for Wednesday, Nov. 27, 1985
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

Price-percentage gainers outpaced losers, 40 to 11, for the two-week period ended Dec. 13. Four home center industry issues remained unchanged.



The record-breaking Wall Street activity that drove the Dow Jones industrial average over the 1500 mark on Dec. 11 carried several home center retail stocks to dramatic price gains.

Home Depot led the winners with a 20.5% price rise over the two-week period, closing Dec. 13 at $13.25. The Atlanta-based warehouse chain's stock price, however, remained well below its 52-week high of $20.38. Diamond Lumber parent, Michigan General, was up 17.9% to $4.13, while W. R. Grace, which announced plans to sell off its retail group including its home center chains *(see story, page 1)*, gained 16.6% to $47.50.

Other home center stocks that benefited from the bullish market included Pay 'N Pak (up 11.3%), Wolohan Lumber (up 8.9%), Lowe's (up 8.7%) and Scotty's (up 7.3%).

Homecrafters Warehouse, which filed for Chapter 11 on Dec. 6, closed the two-week period at a 52-week low of $1.13, down 35.7%.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Ply-Gem A	4,802	800.8	4.8
Grace W R N	52,106	503.4	16.6
Pope & Talbot N	4,204	427.1	7.3
Natl Lumber M	969	364.9	- 1.3
Homecrafters Whse M	7,244	357.1	- 35.7
Edison Bros N	1,042	347.8	1.5
Thos Inds N	1,955	346.9	3.7
SW Forest Ind N	13,305	321.5	7.1
Masco Corp N	18,098	280.5	8.6
Scotty's Inc N	3,508	271.2	7.3
Owens Corning N	10,298	269.1	7.0
Payless Cash N	24,103	267.0	6.7
Clopay Corp A	183	260.6	19.8
Sears, Roebuck N	137,395	256.6	10.8
Stanley Works N	6,725	255.9	6.8
Pay N Pak N	4,643	241.2	11.3
Champ Intl N	47,806	238.8	1.6
Color Tile M	7,862	232.2	10.3
Emhart Corp N	5,860	231.3	6.2
Allegheny Int N	15,203	220.6	- 12.1

TOP GAINERS

Company & Market	2-Weeks Ended 12-13-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Home Depot N	13.25	20.5	11,948
Clopay Corp A	15.88	19.8	183
Mich General A	4.13	17.9	1,794
Grace W R N	47.50	16.6	52,106
MacMillin Bldel N	16.00	14.3	163

TOP LOSERS

Company & Market	2-Weeks Ended 12-13-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Homecrafters Whse M	1.13	- 35.7	7,244
Allegheny Int N	19.00	- 12.1	15,203
Potlatch Cp N	34.88	- 5.7	2,980
Natl Gypsum N	44.75	- 4.3	15,217
Manville Cp N	5.38	- 2.3	8,074

National Home Center News®

HOME CENTER INDUSTRY MARKET SUMMARY

Stock Market

Company and Market	2-Weeks Ended 12-13-85	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Price Range High	2-Week Price Range Low	52-Week Price Range High	52-Week Price Range Low	2-Weeks Volume Shares Traded Total	2-Weeks Volume Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change
-	$	$	%	$	$	$	$	(100)	%	%	%
Retailers											
Boise Cascade N	45.38	.75	1.7	45.63	44.00	51.00	37.25	14,054	5.16	1.80	186.7
Color Tile M	21.50	2.00	10.3	22.25	18.88	21.50	15.25	7,862	8.47	2.55	232.2
Edison Bros N	33.38	.50	1.5	33.38	32.38	38.25	31.00	1,042	1.03	.23	347.8
Erb Lumber M	35.00	.00	.0	35.00	33.00	36.50	18.00	48	.54	.55	- 1.8
Forest City Ent A	25.75	.63	2.5	25.75	25.00	25.75	19.38	92	.23	.27	- 14.8
Grace W R N	47.50	6.75	16.6	47.50	40.38	47.50	35.50	52,106	10.74	1.78	503.4
Hechinger A M	19.00	1.25	7.0	19.50	17.00	23.19	15.59	3,445	3.94	1.36	189.7
Hechinger B M	20.00	.25	1.3	20.25	18.25	24.19	15.81	1,418	1.05	.44	138.6
Hines Ed Lumber O	22.25	.00	.0	23.50	22.25	42.50	22.25	10	.06	.49	- 87.8
Homecrafters Whse M	1.13	- .63	- 35.7	1.88	1.00	10.00	1.13	7,244	25.60	5.60	357.1
Home Depot N	13.25	2.25	20.5	13.75	10.75	20.38	10.50	11,948	4.77	1.53	211.8
INTERCO Inc N	70.75	3.00	4.4	71.00	67.50	73.63	58.38	5,684	4.02	2.11	90.5
K mart Cp N	36.63	1.50	4.3	36.75	34.00	41.50	30.63	47,824	3.81	1.49	155.7
Lowe's Cos N	25.00	2.00	8.7	25.38	22.38	31.13	20.75	10,445	2.88	1.13	154.9
Mich General A	4.13	.63	17.9	4.25	3.50	8.13	3.25	1,794	1.58	.99	59.6
Natl Lumber M	4.94	- .06	- 1.3	5.25	4.75	7.50	4.50	969	1.72	.37	364.9
Pay N Pak N	14.75	1.50	11.3	14.88	13.00	15.25	11.50	4,643	4.64	1.36	241.2
Payless Cash N	16.00	1.00	6.7	16.25	14.25	23.38	13.50	24,103	6.57	1.79	267.0
Scotty's Inc N	14.75	1.00	7.3	15.00	13.63	16.38	12.38	3,508	2.45	.66	271.2
Sears, Roebuck N	40.88	4.00	10.8	41.13	36.25	41.13	30.63	137,395	3.78	1.06	256.6
Std Brd Pnt N	19.63	- .38	- 1.9	21.00	19.13	23.88	18.13	4,779	4.23	1.60	164.4
Supermkts Gen N	50.50	1.50	3.1	51.00	47.25	51.00	31.75	3,076	1.71	.91	87.9
Wolohan Lumber M	6.13	.50	8.9	6.13	5.63	7.25	4.50	1,210	2.07	.86	140.7
Wholesalers											
Lewis Palmer M	7.75	.00	.0	7.88	7.38	9.38	6.38	597	1.53	.68	125.0
Manufacturers											
Allegheny Int N	19.00	- 2.63	- 12.1	21.88	17.00	28.75	17.00	15,203	14.14	4.41	220.6
Am Standard N	38.38	3.75	10.8	39.50	34.63	39.50	26.75	17,280	4.40	1.41	212.1
Armstrng Wrld N	43.88	1.75	4.2	45.25	41.75	45.25	30.38	6,332	2.64	1.52	73.7
Black & Decker N	20.25	- .25	- 1.2	20.50	18.13	26.88	17.25	31,752	6.25	2.31	170.6
Certain-teed N	26.75	.75	2.9	28.00	26.25	28.50	20.25	2,504	1.32	.59	123.7
Champ Intl N	24.25	.38	1.6	25.00	23.38	26.75	19.88	47,806	5.15	1.52	238.8
Clopay Corp A	15.88	2.63	19.8	16.25	13.50	22.19	11.25	183	1.19	.33	260.6
DeSoto Inc N	35.13	- .25	- .7	36.50	34.50	37.88	31.50	637	1.34	.69	94.2
Emhart Corp N	32.25	1.88	6.2	32.25	30.00	33.13	26.25	5,860	2.12	.64	231.3
Georgia-Pacifc N	25.75	.88	3.5	26.00	24.00	27.38	20.50	40,759	3.95	1.42	178.2
Insilco Corp N	19.75	- .38	- 1.9	21.25	19.50	21.25	16.63	4,238	2.16	1.36	58.8
La Pacific N	23.38	.63	2.7	23.38	21.25	24.75	17.63	9,499	2.68	.96	179.2
MacMlln Bldel N	16.00	2.00	14.3	16.00	13.88	21.34	12.47	163	.05	.02	150.0
Manville Cp N	5.38	- .13	- 2.3	5.88	5.25	8.63	5.13	8,074	3.36	1.26	166.7
Masco Corp N	41.00	3.25	8.6	41.00	37.25	41.00	26.00	18,098	3.12	.82	280.5
Mor-Flo Inds M	17.13	1.38	8.7	17.38	15.38	20.25	14.50	300	1.18	.86	37.2
Natl Gypsum N	44.75	- 2.00	- 4.3	46.88	43.50	47.25	24.19	15,217	6.65	2.19	203.7
Newell Co N	22.38	.13	.6	22.50	21.50	22.50	15.13	1,179	1.37	.79	73.4
Owens Corning N	38.13	2.50	7.0	38.75	35.50	38.75	30.50	10,298	3.47	.94	269.1
Ply-Gem A	16.38	.75	4.8	17.00	15.88	17.00	12.63	4,802	11.17	1.24	800.8
Pope & Talbot N	20.13	1.38	7.3	20.13	18.00	21.50	15.25	4,204	7.01	1.33	427.1
Potlatch Cp N	34.88	- 2.13	- 5.7	37.38	34.25	43.63	28.38	2,980	1.94	3.38	- 42.6
Sherwin-Wms N	45.88	4.38	10.5	46.50	41.25	46.50	25.50	4,054	1.77	.71	149.3
SW Forest Ind N	11.38	.75	7.1	11.50	10.25	16.25	9.88	13,305	14.33	3.40	321.5
Stanley Works N	33.25	2.13	6.8	33.25	30.25	33.25	24.50	6,725	2.42	.68	255.9
Thos Inds N	19.13	.69	3.7	19.13	17.88	19.13	14.41	1,955	2.19	.49	346.9
Triangle Pac N	35.75	- .50	- 1.4	36.50	35.00	37.00	23.63	778	2.06	1.11	85.6
USG Corp N	47.50	2.50	5.6	48.88	43.50	48.88	28.44	10,238	3.07	1.15	167.0
Walter, Jim N	42.00	2.38	6.0	42.00	39.50	42.00	30.75	8,059	3.81	1.81	110.5
Waxman Ind M	10.75	.00	.0	11.00	10.25	16.88	6.09	1,241	3.96	1.63	142.9
Weyerhaeuser N	32.00	1.13	3.6	32.00	30.25	34.00	24.75	28,509	2.19	.85	157.6

Financial Update

Company and Market	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																		
Boise Cascade N	24.8	1.90	4.2	.....	9 mos.	09-85	934.2	- 3.0	20.3	- 37.9	.65	- 42.5	2844.5	- 2.2	85.3	- 9.4	2.84	- 12.3
Color Tile M	14.3	.00	.0	.....	3 mos.	09-85	95.0	25.8	3.3	17.9	.36	16.1	95.0	25.8	3.3	17.9	.36	16.1
Edison Bros N	15.5	1.60	4.8	.....	9 mos.	09-85	199.2	- 26.4	5.9	- 33.7	.58	- 34.1	561.7	- 27.8	13.6	- 44.5	1.34	- 43.5
Erb Lumber M	6.0	.00	.0	.....	9 mos.	09-85	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent A	31.0	.15	.6	.....	6 mos.	07-85	53.5	- 28.6	3.4	36.0	.43	34.4	127.2	1.4	3.6	414.3	.45	309.1
Grace W R N	14.9	2.80	5.9	.....	9 mos.	09-85	1758.1	6.0	25.3	- 23.6	.41	- 39.7	5246.9	7.1	102.2	- 25.1	1.96	- 30.0
Hechinger A M	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	20.6	.08	.4	NEW	9 mos.	10-85	118.3	17.8	5.5	17.0	.23	9.5	362.2	19.7	16.5	11.5	.70	7.7
Hines Ed Lumber O	16.7	1.00	4.5	.....	9 mos.	09-85	81.9	- 4.2	1.2	- 45.5	.67	- 46.0	211.3	- .5	2.1	- 8.7	1.20	- 7.7
Homecrafters Whse M	NE	.00	.0	.....	6 mos.	07-85	51.8	19.4	(1.8)	- 100.0	(.64)	- 100.0	97.6	22.2	(3.3)	- 100.0	(1.18)	- 100.0
Home Depot N	36.8	.00	.0	.....	9 mos.	10-85	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc N	17.8	3.08	4.4	.....	6 mos.	08-85	644.0	- 8.1	23.2	- 4.9	1.47	- .7	1233.0	- 8.4	34.4	- 21.6	2.18	- 17.7
K mart Cp N	11.4	1.40	3.8	.....	9 mos.	10-85	5223.2	4.6	77.4	- 16.2	.60	- 15.5	15667.8	10.2	210.7	- 28.5	1.64	- 27.8
Lowe's Cos N	4.1	.36	1.4	.....	9 mos.	10-85	3833.0	756.2	441.1	2406.3	4.90	900.0	4880.9	271.8	473.9	831.0	5.81	312.1
Mich General A	NE	.00	.0	.....	9 mos.	09-85	128.3	3.6	(7.9)	- 100.0	(.69)	- 100.0	335.4	- 2.6	(23.2)	- 100.0	(2.05)	- 100.0
Natl Lumber M	24.7	.00	.0	NEW	9 mos.	09-85	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak N	16.4	.64	4.3	.....	6 mos.	08-85	90.5	3.1	3.0	- 21.1	.30	- 21.1	173.1	6.7	5.1	- 17.7	.51	- 17.7
Payless Cash N	14.7	.16	1.0	.....	9 mos.	08-85	379.4	13.4	12.4	- 3.9	.36	- 10.0	1010.0	19.7	27.0	- 2.5	.80	- 7.0
Scotty's Inc N	12.0	.52	3.5	.....	3 mos.	09-85	110.3	8.5	2.8	- 17.6	.20	- 23.1	110.3	8.5	2.8	- 17.6	.20	- 23.1
Sears, Roebuck N	11.4	1.76	4.3	.....	9 mos.	09-85	10047.1	3.7	262.2	- 18.5	.71	- 19.3	28647.1	3.4	751.0	- 15.8	2.03	- 17.8
Std Brd Pnt N	11.8	.56	2.9	NEW	9 mos.	10-85	90.0	10.4	4.0	- 24.5	.35	- 27.1	266.4	9.1	14.2	- 12.9	1.26	- 14.3
Supermkts Gen N	14.0	.48	1.0	.....	9 mos.	10-85	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	38.2
Wolohan Lumber M	11.8	.16	2.6	.....	9 mos.	09-85	46.8	12.5	1.2	9.1	.20	5.3	113.3	10.0	2.2	22.2	.38	22.6
Wholesalers																		
Lewis Palmer M	59.6	.27b	3.5	NEW	9 mos.	10-85	39.9	- 9.9	.6	.0	.16	6.7	110.4	- 2.9	.8	- 42.9	.22	- 43.6
Manufacturers																		
Allegheny Int N	NE	1.40	7.4	.....	9 mos.	09-85	511.5	- .9	(71.4)	- 100.0	(7.35)	- 100.0	1519.2	- 1.0	(56.3)	- 100.0	(7.47)	- 100.0
Am Standard N	13.0	1.60	4.2	.....	9 mos.	09-85	830.9	.3	28.2	- 3.1	.71	- 5.3	2498.2	6.2	85.8	2.0	2.18	- 4.8
Armstrng Wrld N	10.8	1.30	3.0	.....	9 mos.	09-85	446.7	13.1	28.1	23.2	1.17	23.2	1253.2	5.6	78.3	6.7	3.26	8.7
Black & Decker N	NE	.64	3.2	.....	fiscal	09-85	454.3	- 5.9	(195.1)	- 100.0	(3.83)	- 100.0	1732.3	13.0	(158.4)	- 100.0	(3.11)	- 100.0
Certain-teed N	9.3	.70	2.6	.....	9 mos.	09-85	304.1	- 7.0	18.3	408.3	.93	447.1	848.0	- 7.4	43.0	45.3	2.18	48.3
Champ Intl N	NE	.52	2.1	.....	9 mos.	09-85	1330.4	17.6	37.9	- 5.7	.37	- 43.9	4575.1	33.4	125.0	14.3	1.22	- 31.5
Clopay Corp A	NE	.16	1.0	.....	9 mos.	09-85	38.5	6.6	(1.2)	- 100.0	(.78)	- 100.0	103.7	6.3	(1.7)	- 100.0	(1.10)	- 100.0
DeSoto Inc N	11.4	1.40	4.0	.....	9 mos.	09-85	109.2	- 4.5	4.1	- 31.7	.86	- 18.9	330.1	.3	11.3	- 29.4	2.37	- 16.8
Emhart Corp N	11.9	1.40b	4.3	.....	9 mos.	09-85	421.2	.1	17.0	- 20.6	.61	- 28.2	1290.6	- 4.1	56.4	- 13.0	2.03	- 21.3
Georgia-Pacifc N	31.4	.80	3.1	.....	9 mos.	09-85	1752.0	- .3	58.0	- 30.1	.52	- 29.7	5126.0	4.3	174.0	- 20.2	1.56	- 8.8
Insilco Corp N	12.3	1.00b	5.1	.....	9 mos.	09-85	209.1	1.0	5.9	- 35.2	.30	- 41.2	637.1	5.1	22.5	- 12.5	1.20	- 15.5
La Pacific N	20.0	.80b	3.4	.....	9 mos.	09-85	332.3	6.3	11.3	63.8	.32	77.8	948.3	.2	18.7	- 11.8	.53	- 10.2
MacMlln Bldel N	24.2	.00a	.0	.....	9 mos.	09-85	597.1	- 1.0	12.1	61.3	.18	350.0	1733.7	11.9	22.5	NE	.10	NE
Manville Cp N	NE	.00	.0	.....	9 mos.	09-85	471.4	- 4.0	(98.6)	- 100.0	(4.37)	- 100.0	1405.4	3.5	(66.0)	- 100.0	(3.53)	- 100.0
Masco Corp N	27.9	.64	1.6	.....	9 mos.	09-85	NC	NC	(48.5)	- 100.0	(.10)	NE	449.1	- 44.2	23.2	- 75.4	1.14	- 31.7
Mor-Flo Inds M	8.1	.01	.1	.....	9 mos.	09-85	47.0	.9	.3	- 81.3	.11	- 82.5	153.0	3.9	3.7	- 22.9	1.45	- 24.5
Natl Gypsum N	8.5	1.52	3.4	.....	9 mos.	09-85	468.0	4.2	35.1	24.9	1.53	26.4	1277.4	- .8	96.6	18.4	4.16	18.9
Newell Co N	11.5	.60	2.7	.....	9 mos.	09-85	92.2	36.4	5.4	74.2	.60	66.7	253.4	15.9	13.4	34.0	1.48	27.6
Owens Corning N	9.3	1.40	3.7	.....	9 mos.	09-85	870.5	8.0	38.9	11.8	1.31	11.0	2338.4	3.2	87.1	8.5	2.94	7.7
Ply-Gem A	14.8	.16	1.0	.....	9 mos.	09-85	39.5	- 2.7	1.1	37.5	.25	31.6	123.0	- .2	3.1	- 3.1	.77	- 12.5
Pope & Talbot N	87.5	.80	4.0	.....	9 mos.	09-85	82.0	- .6	2.1	NE	.34	NE	250.3	3.8	6.1	48.8	1.01	46.4
Potlatch Cp N	13.9	1.56	4.5	.....	9 mos.	09-85	239.6	- 3.8	11.3	1.8	.65	1.6	722.9	- 4.6	33.3	- 15.9	1.93	- 13.1
Sherwin-Wms N	14.5	.92	2.0	.....	9 mos.	09-85	578.8	4.8	29.1	15.0	1.26	13.5	1677.5	6.6	63.3	13.2	2.75	13.2
SW Forest Ind N	NE	.00	.0	.....	9 mos.	09-85	181.6	- 10.6	(2.8)	- 100.0	(.45)	- 100.0	530.9	- 9.6	(7.3)	- 100.0	(1.25)	- 100.0
Stanley Works N	12.2	1.04	3.1	.....	9 mos.	09-85	297.1	.8	19.4	7.2	.70	7.7	885.9	3.9	52.6	5.2	1.92	7.3
Thos Inds N	10.7	.65b	3.4	.....	9 mos.	09-85	79.1	- .5	4.9	14.0	.54	14.9	231.9	8.1	12.0	.0	1.34	.0
Triangle Pac N	9.9	1.00	2.8	.....	9 mos.	09-85	69.0	- 3.5	4.7	9.3	1.24	21.6	198.2	- 4.5	11.6	8.4	2.90	12.0
USG Corp N	7.5	1.68	3.5	.....	9 mos.	09-85	657.4	3.7	65.7	38.3	1.96	36.1	1891.3	10.7	169.9	16.9	5.08	15.5
Walter, Jim N	8.2	1.40	3.3	NEW	fiscal	08-85	627.9	11.2	38.4	13.9	1.75	12.9	2292.3	1.5	111.7	15.2	5.11	14.8
Waxman Ind M	16.0	.08	.7	.....	3 mos.	09-85	21.5	4.9	.6	- 14.3	.18	- 55.0	21.5	4.9	.6	- 14.3	.18	- 55.0
Weyerhaeuser N	26.4	1.30	4.1	.....	6 mos.	06-85	1400.1	622.4	59.7	- 42.5	.41	- 43.8	2675.8	81.9	97.9	- 30.3	.65	- 32.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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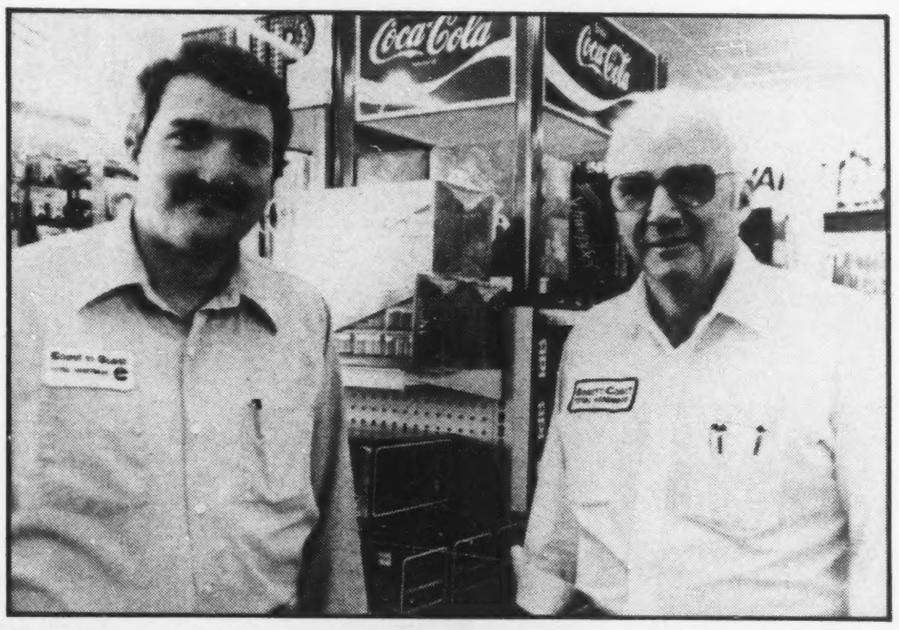

Ray Truax (right), owner of the Forest Lake, Minn., Coast-to-Coast, and son Dave (left), are budgeting for a 20% increase in sales in 1986, based on the buying groups' "Focus" retrofit of their store. NHCN photo

Coast-to-Coast slates 150 units for retrofit in 1986

By John Caulfield
NHCN staff editor

MINNETONKA, Minn. — Coast-to-Coast, the franchised buying group whose growth in recent years has been stagnant, is making a "recommitment to retailing" through its "Focus" retrofit and remerchandising program that 105 of its member-dealers have taken on since its introduction in late 1984.

This year, Coast plans to certify another 150 stores to the program, which provides dealers with higher sales and profitability through a wider selection of merchandise, a more promotional in-store presentation, and better inventory control.

"Basically, Focus is tailoring the merchandising and service of a dealer to his particular marketplace," said Bart Carlson, Coast's director of retail franchising, who is supervising the Focus effort.

(Continued on page 53)

NEWSBREAKS

NEW NORTHEAST HEAD. John Brill was named to succeed James Dunbar as executive vp of the Northeastern Retail Lumbermen's Assn. Dunbar took over the post following the death of Horace Pierce in 1983. Brill, a Rochester, N.Y., businessman, worked for the association earlier in his career.

Evans lenders submit plan; creditors get 90% of debt

Banks call for Grossman back, stock cancelled, Lindsley sold

By John Caulfield
NHCN staff editor

NEW YORK — Lenders to Evans Products, in their Dec. 17 filing of a plan for the company's reorganization, call for the reinstatement of Mike Grossman as chief executive of the retail company, the sale of Lindsley Home Centers in Miami, and the cancellation of all stock currently held by shareholders.

The banks have formulated a plan that, through a complicated formula of issuing cash and notes, would pay trade creditors of Grossman's Inc. up to 90% of the outstanding debt owed to them over a period of years. Lindsley's trade creditors could get 100% of what they are owed, regardless of whether the chain is sold or not.

This reorganization of the company under Chapter 11 also calls for the newly formed company to issue new stock and short- and long-term debentures to the banks that, over a 10-year period, would return an estimated 76% of the unsecured debt owed to Evans' 22 bank lenders.

The filing of the bank plan is expected to trigger a counter-filing by Evans Products Co., whose own reorganization formula, as laid out to its trade creditors last month (*NHCN*, Jan. 1), differs markedly in terms of debt payments and management restructuring from the lenders.

"Evans . . . intended to challenge vigorously the plan filed by such [bank lenders] Committee and the Bank of America [which is serving as collateral agent for the lenders] in the proceeding," said the company in a prepared statement issued one day after the banks filed.

Under the banks' plan, Grossman's Inc. is to be merged into Evans Products, and the two companies' assets

(Continued on page 54)

Builders Sq. and parent K mart to share three sites in Florida

SAN ANTONIO — An "excellent" real estate opportunity in Florida prompted Builders Square and its parent company K mart Corp. to share the space of three recently acquired Jefferson Ward department stores in the Sunshine State, Fred Stephens, executive vp-specialty retailing at K mart, announced on Dec. 19.

The three stores, located in leased space in West Palm Beach, North Miami and Kendall, Fla., south of Miami, are new markets for Builders Square, the 30-unit home center retailer headquartered in San Antonio.

A successful test here could mean more combination units for K mart and Builders Square, Stephens said.

"We want to digest this first," said Stephens.

K mart acquired the leases to a total of eight former Jefferson Ward stores last month. Three of those stores will become combo sites. New Builders Square stores will also be installed in former Jefferson Ward locations in Lauderdale Lakes, North Palm Beach and Richmond, Va., which are also new markets for the chain.

In addition, K mart purchased a Jefferson Ward site in Fort Myers, Fla., for Builders Square. All the units will open between March and June of this year. The remaining

(Continued on page 53)

Retailers test hard goods mall concept

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Seigle Home Centers, a $43 million retail chain based in Elgin, Ill., will open a 40,000-sq.-ft. unit here later this month that represents a whole new way of doing business.

Not content to erect a freestanding home center that operates on its own, Seigle has also constructed an enclosed mall with storefronts that it plans to rent at $9.50 per square foot to specialty home improvement retailers selling merchandise that compliments its own.

Synergy of merchandise; an increase in traffic flow; some pooling of advertising expenses . . . and the ability of specialists to draw customers from a broader region are cited by Seigle as factors that led to its decision to construct what amounts to a home improvement mall, which it calls "HomeQuarters Shopping Center."

Harry Seigle, president of Seigle Home Centers (left), plans to open an enclosed mall in Elgin, Ill., that will house a variety of home improvement retailers. James L. Pease, president of Pease Company (right), is one of several retailers taking part in a similar venture in Cincinnati.

Seigle is not the only home improvement retailer to take this route. Pease, a $20 million chain of three home improvement catalog showrooms based in Hamilton, Ohio, plans to open its fourth unit late in the summer in a similar mall in Cincinnati. And Build Mart Mall, in Salt Lake City, has rented out 40 small stores to as many home improvement vendors over the past year, and plans to have another 40 signed up by summer.

(Continued on page 53)

Economic woes in '85 force 400 estimated yard closings

By Laura Liebeck
NHCN staff editor

NATIONAL REPORT — Approximately 400 lumberyards are estimated to have closed their doors in 1985, mostly due to the economic crisis in farm-based communities, according to Harry Horrocks, acting executive vp of the National Lumber and Building Material Dealers Assn.

Losses are also associated with small companies being bought by larger ones, mergers and natural attrition, added Horrocks and representatives from seven other lumbermen's associations.

Exact figures on 1985 won't be available until very late this

(Continued on page 54)

NHCNews Briefs

Industry Update

Payless sells 5 units to UBC

KANSAS CITY, Mo. — Payless Cashways has agreed to sell five of its older, smaller stores in the Midwest to United Building Centers, the Winona, Minn.-based retail division of Lanoga Corp.

UBC, which operates a chain of 110 stores located mostly in the Rocky Mountain and Midwest states, will purchase for an undisclosed sum Payless' units in Iowa Falls, Manchester and Atlantic, Iowa, and Worthington and Austin, Minn.

The Iowa Falls unit bears historic import for the company, as it was opened in 1947 by Payless' former chairman, Vern Furrow, and served as the chain's headquarters from 1966 to 1973.

But Payless has been expanding with larger stores into metro markets, and the sold units "are not typical of Payless Cashways stores today," said the chain's chairman David Stanley.

Rickel plans 5 to 8 new stores

SOUTH PLAINFIELD, N.J. — Rickel Home Centers plans to open five to eight new stores this year, according to president and ceo Chuck Davis. Construction has already begun on new home centers in Willowgrove, Pa., and Warwick, R.I. The 42-store chain is also adding to its stores in upstate New York with a new unit slated for Johnson City, near Binghampton. Davis said a new store will be added in Connecticut, tying into overall expansion plans for that area.

Davis also told *NHCN* that Rickel will locate a new prototype unit in Whitehall, Pa., in the Allentown market.

Big Tool Box on selling block

AURORA, Colo. — The Big Tool Box, a 34,000-sq.-ft. independent hardware store which since its opening in 1973 has built its reputation on a giant 40,000-stockkeeping unit assortment, has been put on the selling block by owner Mentor Inc. of Denver.

General manager Joe Fischer said the store was bought from founder Harold Cohen in 1984 by Mentor, a diversified holding company which has been in the process of liquidating several of its businesses in recent months.

Great Plains moves cut costs

SIOUX FALLS, S.D. — Since April 1 when Karl Butzer was named group vp of Harvest State Cooperatives newly formed Farm Supply Group, the company, which includes Great Plains Supply and GTA Feeds, has trimmed its administrative operations costs by $750,000 and eliminated between 12 and 15 jobs, according to Butzer.

In addition, Butzer has rearranged his management team so that only one man, Jeff Lehmann, reports directly to him. Lehmann is now Butzer's gm as well as being a vp and officer of Harvest State.

Lehmann was promoted from operations manager. His former position will be eliminated, Butzer said.

Chicago now has two Hines

CHICAGO — Chicago now has two Edward Hines Lumber Companies: the one being liquidated and the New Edward Hines Lumber Co. The latter was purchased from the first by Edward Hines and his family, last Nov. 1 for $28 million plus stocks.

The purchase agreement of the 26 Chicago-area retail outlets calls for the Hines family to use the word "New" in the name of their company to minimize confusion while the other company, known as the Edward Hines Lumber Co., continues its liquidation.

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Vol. 12, No. 2 January 13, 1986

BE, Builders Square name suit ends in out of court settlement

LOS ANGELES — The dispute between Builders Emporium and Builders Square over their name similarities has been settled out-of-court.

David R. Haarz, trademark counsel for K mart, San Antonio-based Builders Square's parent company, said the settlement was "amicable. We're happy with it and I think they are happy with it."

The issue was whether there was likely to be confusion among the public as to whether Builders Square is affiliated with Builders Emporium. Builders Square has opened two warehouses in California, where Builders Emporium has been operating since the late 1940's. Builders Square is planning to open as many as 30 units in California this year and next year.

Under terms of the settlement, Builders Square will prominently highlight in its California advertising that it is a K mart subsidiary, even though this many cause confusion between K mart discount stores' Home Improvement Centers and its Builders Square stores. Builders Emporium has traditionally noted that it is a Wickes company in its advertising and signing.

The settlement ends the specter of a trial in U.S. District Court's Central District here. The legal battle had been fought since last March when depositions were first taken (*NHCN*, Oct. 21, 1985).

Tom Pollack, an attorney from Irell & Manella, Builders Emporium's outside counsel, had earlier indicated there were several specific instances of confusion among shoppers between the two companies.

If the case had gone to trial and Builders Square had lost, it would have been required to undertake an expensive transition to a new name in California. By settling the case out of court, Builders Square has now eliminated that possibility.

Scotty's makes first public offering of straight debt—$40M into debentures

WINTER HAVEN, Fla. — Scotty's Inc. made its first public offering of straight debt last month when it placed $40 million of its 30-year debentures for sale through Salomon Brothers Inc. and Smith Barney, Harris Upham & Co. The debentures carry an 11.25% rate and are priced at 99.55% of face value to yield 11.3% through their maturity date of Dec. 15, 2015.

Last June, Scotty's filed a shelf registration with the SEC covering up to $75 million of debt securities.

Harold Taylor, Scotty's senior vp and cfo, said that the proceeds of the bond issue will be used to finance the chain's stepped up program of new store expansion, acquire land for new store sites, retrofit existing stores and replace older units.

Scotty's last financing was in December of 1982, when it sold close to a million shares of common stock. By going to the public trough with this straight debt offering, Scotty's avoids having to dilute earnings per share by issuing more stock, as it has done in the past. Scotty's conservative level of long-term debt should work in its favor on the sale of the bonds.

Belknap awaits Ky. court's decision on 90-day extension of Chapter 11 filings

LOUISVILLE, Ky. — Belknap Inc. will learn Jan. 27, whether it will win a court approved 90-day extension for filing its schedules and statement of affairs as its Chapter 11 proceeding gets under way. That is also the date by which attorneys for the creditors have to complete their investigation into Belknap's finances, according to court records filed in U.S. Bankruptcy Court in the Western District of Kentucky, Louisville Division.

Belknap filed for protection from its creditors under Chapter 11 of the federal bankruptcy code on Dec. 4 in Louisville.

Belknap's attorneys motioned the court on Dec. 12 for 90 days beyond their Dec. 19 deadline to disclose their statement, said Jerry Lloyd, attorney for the creditors committee.

Judge William Brown postponed his decision on that mo-

(Continued on page 54)

Highlights in this issue

Perspectives — cover story

THE INDUSTRIAL RENAISSANCE: U.S. suppliers map high-tech defense against import invasion. Having seen what industrial neglect did to the auto and steel industries in the 1970's, home improvement manufacturers are attempting to pre-empt market erosion from imports by improving research, product design, manufacturing and distribution through computerization and mechanization. **17**

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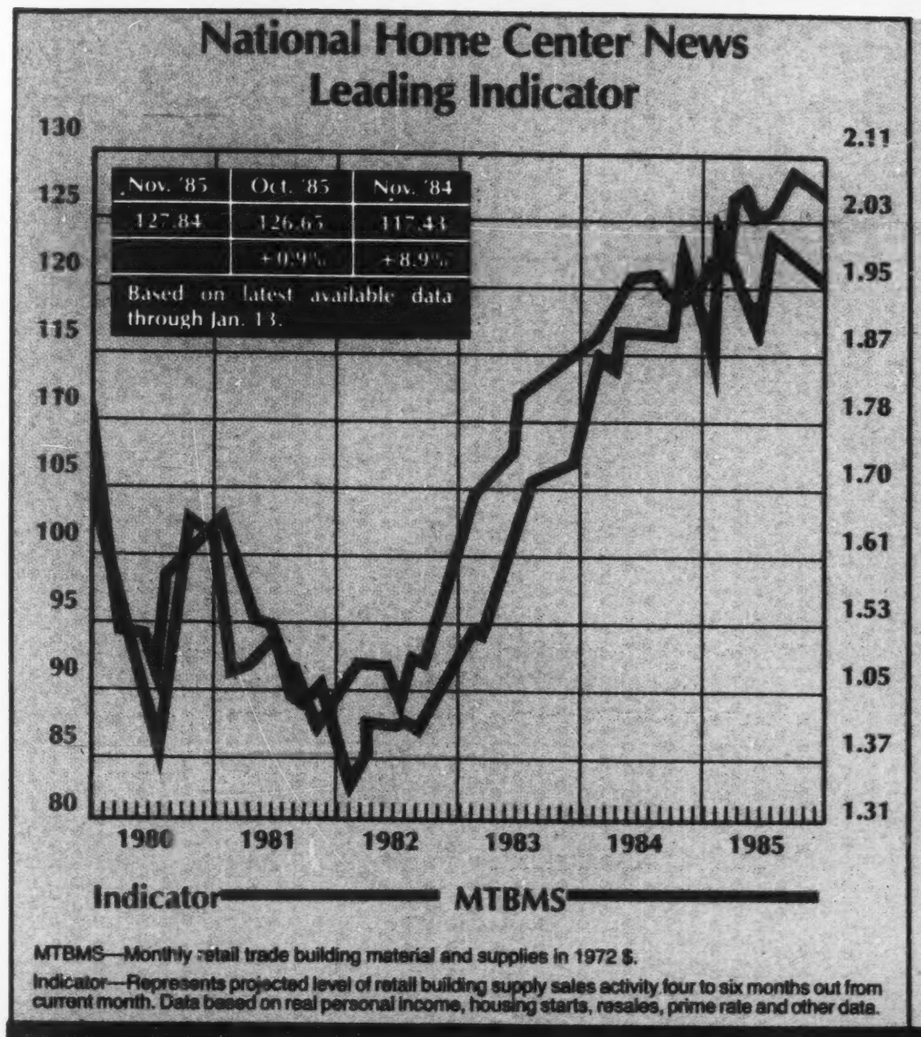
BUSINESS WATCH



MTBMS—Monthly retail trade building material and supplies in 1972 $.

Indicator—Represents projected level of retail building supply sales activity four to six months out from current month. Data based on real personal income, housing starts, resales, prime rate and other data.

Strength of building material sales to vary by region in '86

By Richard E. Mount
Special to NHCN

The strength in building material sales during 1986, presented in the last issue of the *National Home Center News*, shows a nation on the track toward solid gains. But activity will vary in different regions of the country, reflecting differences in industrial concentration geographically.

Those differences, and changes in the national economy, create a spectrum of results across both state and city lines.

The strongest sales gains for building material sales will occur in regions with a concentration in finance, services or defense employment. These economies are strong, and home repairs will rise due to the recent strength in resales.

New England will post the largest rise in building material sales in 1986. Localities with economies similar to New England's—New York, New Jersey, Virginia and eastern Pennsylvania—will also enjoy a sharp expansion.

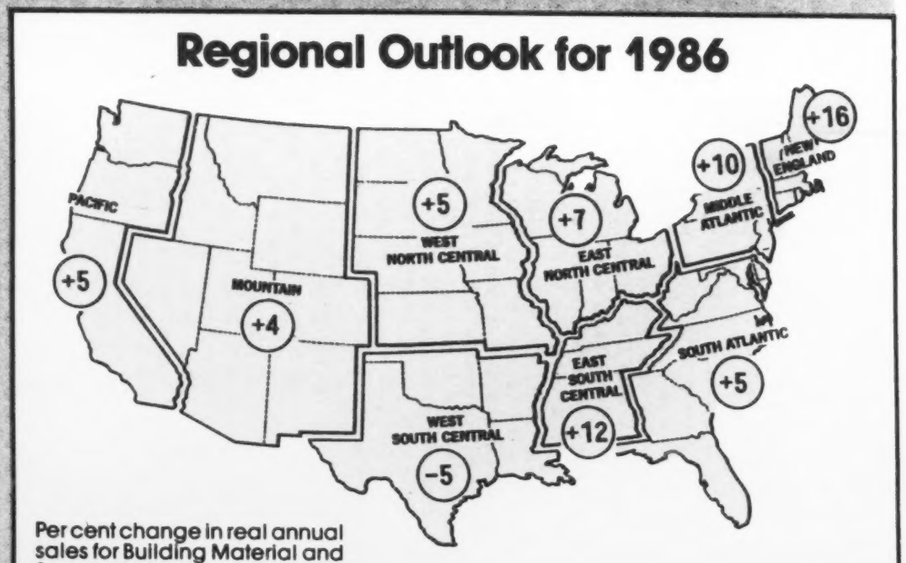
Manufacturing output will benefit from the declining value of the dollar and the accelerating economy. Industries that have faced severe import penetration of traditional markets will do well, as domestic production expands with the lower value of the dollar.

The East South Central states will experience a 12% gain in real sales of building materials. The auto-concentrated East North Central region will rise slightly faster than the national average, due to capital-goods demand. Automobile production will not expand in 1986. Import restrictions on Japanese cars will be dropped and domestic sales promotions in 1985 have reduced 1986 demand.

Mining and lumber areas will run slightly behind the national gain. Local economies are weak due to poor demand for coal, copper and other minerals. Import penetration from developing countries has further eroded domestic output. Unemployment has remained high in many of these states, keeping housing turnover in check.

The national business expansion and fall in the dollar will reverse many of the negative trends under way in the

(Continued on page 5)



Richard Mount

Home Center Industry Outlook—Part Two

	Latest Available Data	1985				1986						
		QI	QII	QIII	QIV[e]	QI[p]	QII[p]	QIII[p]	QIV[p]	1984	1985	1986
NHCN Leading Indicator (January 1980=100)	Nov.	120.2	124.3	124.5	127.1	127.1	127.6	128.0	128.4	117.8	124.0	127.8

Building Material Retail Sales

Current

Total United States ($ Millions (SAAR)	Oct.	50,468	53,012	53,248	55,937	56,565	57,408	58,439	59,295	49,774	53,166	57,927
New England	Oct.	2,504	2,881	3,191	3,474	3,575	3,605	3,623	3,629	2,743	3,012	3,608
Middle Atlantic	Oct.	6,183	7,084	7,314	7,753	7,846	7,986	8,059	8,135	6,373	7,083	8,006
East North Central	Oct.	7,226	8,531	8,469	8,883	8,937	9,048	9,239	9,410	7,935	8,277	9,159
West North Central	Oct.	3,252	3,837	3,805	3,960	3,971	4,001	4,061	4,097	3,720	3,714	4,033
South Atlantic	Oct.	11,089	11,073	10,766	11,428	11,551	11,815	12,138	12,339	10,234	11,089	11,961
East South Central	Oct.	2,677	2,894	3,040	3,228	3,264	3,358	3,454	3,534	2,723	2,960	3,402
West South Central	Oct.	6,199	6,208	5,775	5,896	5,849	5,890	5,891	6,001	6,089	6,019	5,908
Mountain	Oct.	2,678	2,589	2,584	2,702	2,726	2,784	2,858	2,911	2,617	2,638	2,820
Pacific	Oct.	8,660	8,107	8,160	8,614	8,847	8,921	9,116	9,238	7,340	8,385	9,031

Constant

Total United States ($1967 SAAR)	Sept.	22,284	23,484	23,690	24,640	24,670	24,790	24,985	25,100	22,623	23,525	24,886
New England	Sept.	1,106	1,276	1,420	1,530	1,559	1,557	1,549	1,536	1,247	1,333	1,550
Middle Atlantic	Sept.	2,730	3,138	3,254	3,415	3,422	3,448	3,445	3,444	2,896	3,134	3,440
East North Central	Sept.	3,191	3,779	3,768	3,913	3,898	3,907	3,950	3,983	3,606	3,663	3,935
West North Central	Sept.	1,436	1,700	1,693	1,745	1,732	1,728	1,736	1,734	1,691	1,643	1,733
South Atlantic	Sept.	4,896	4,905	4,790	5,034	5,038	5,102	5,189	5,223	4,652	4,906	5,138
East South Central	Sept.	1,182	1,282	1,353	1,422	1,423	1,450	1,477	1,496	1,238	1,310	1,462
West South Central	Sept.	2,737	2,750	2,569	2,597	2,551	2,543	2,518	2,540	2,769	2,663	2,528
Mountain	Sept.	1,182	1,147	1,150	1,190	1,189	1,202	1,222	1,232	1,189	1,167	1,211
Pacific	Sept.	3,824	3,591	3,630	3,795	3,858	3,852	3,898	3,911	3,336	3,710	3,880

Per Cent of U.S. Total

Current

Total United States ($current)	Sept.	100	100	100	100	100	100	100	100	100	100	100
New England	Sept.	4.96	5.43	5.99	6.21	6.32	6.28	6.20	6.12	5.51	5.67	6.23
Middle Atlantic	Sept.	12.25	13.36	13.74	13.86	13.87	13.91	13.79	13.72	12.80	13.32	13.82
East North Central	Sept.	14.32	16.09	15.90	15.88	15.80	15.76	15.81	15.87	15.94	15.57	15.81
West North Central	Sept.	6.44	7.24	7.15	7.08	7.02	6.97	6.95	6.91	7.47	6.99	6.96
South Atlantic	Sept.	21.97	20.89	20.22	20.43	20.42	20.58	20.77	20.81	20.56	20.86	20.65
East South Central	Sept.	5.30	5.46	5.71	5.77	577	5.85	5.91	5.96	5.47	5.57	5.87
West South Central	Sept.	12.28	11.71	10.85	10.54	10.34	10.26	10.08	10.12	12.24	11.32	10.28
Mountain	Sept.	5.31	4.88	4.85	4.83	4.82	4.85	4.89	4.91	5.26	4.96	4.87
Pacific	Sept.	17.16	15.29	15.32	15.40	15.64	15.54	15.60	15.58	14.75	15.77	15.59

Industrial Production

Index (1977 = 100)

Brick	Oct.	86.6	87.5	91.3	90.0	91.5	92.3	92.0	91.3	83.1	88.9	91.8
Cement	Oct.	105.9	110.0	106.5	105.5	106.2	106.7	106.2	105.6	102.1	107.0	106.2
Gypsum Wallboard	Oct.	116.8	127.7	129.6	131.2	131.5	132.2	128.8	123.5	119.2	126.1	129.0
Hardware	Oct.	102.2	102.7	99.2	99.5	100.3	101.2	102.1	102.9	100.6	100.9	101.6
Lumber Products	Oct.	118.1	121.8	126.2	127.1	127.1	127.8	126.4	125.1	119.8	123.3	126.6
Paint	Oct.	102.5	106.0	99.2	100.1	103.2	104.5	105.6	106.7	102.6	102.0	105.0
Plywood	Oct.	130.7	137.1	144.3	142.1	141.6	141.7	141.1	139.2	129.5	138.6	140.9

Data: Department of Commerce
Federal Reserve Board
Dec. 19, 1985
Source: Merrill Lynch Economics for *NHCN*

The Home Center Industry Outlook runs in two parts, in alternate issues. Part I includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. Part II includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
e—estimate
p—projection
NHCN chart

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

FINANCIAL NEWS

Material sales strength to vary by region in '86

(Continued from page 4)

Mountain states, western Pennsylvania and West Virginia. But housing and employment must expand further in these areas before building material sales accelerate.

Building material sales in Oregon, Idaho and Washington face continued pressure, as national housing starts weaken in the second half of 1986, reducing demand for lumber output.

The West North Central states will be subpar in 1986. The farm states remain troubled as agricultural prices continue to soften. Housing activity has fallen sharply in Iowa, Kansas, Nebraska and North Dakota. Missouri, however, will be one of the stronger markets in the region because of its manufacturing base.

The West South Central states will be the worst performers in 1986. Declining energy prices have sharply curtailed local economies, pushing new and existing home sales sharply lower. Real sales of building materials will be down at least 5% this year, with many cities much weaker.

NEW ENGLAND—THE STAR PERFORMER

New England has had the strongest regional recovery during the current expansion, having successfully steered its economy away from its traditional manufacturing base toward more promising areas. Massachusetts has grown in two directions. Finance opportunities have developed in Boston, while high technology firms have sprung up along Route 128. Connecticut is favorable for corporate-headquarters relocations and defense spending. New Hampshire continues to offer preferential tax rates for manufacturing. Vermont provides a service economy and a boom in vacation housing.

The changes in the structure of state economies in New England have led to sharp gains in employment, housing activity and resale prices. While the national unemployment rate has been hovering at 7%, the rate in Massachusetts is 4% and in Boston 3.5%. Housing starts in New England are back to their 1972 peak, while the nation remains 25% below its level in 1972. Housing appreciation in Boston is up 37% from a year ago, vs. a national norm of 5%.

The strong economic gains in this region have fueled a burst in demand for building materials and supplies. Real sales volumes rose sharply in the second and third quarters of 1985. Sales gains will plateau in 1986, but the level is high enough for an annual gain of 16%.

REAL BUILDING MATERIAL AND SUPPLY STORE SALES

This issue's report estimates the real volume of regional building material and supply store sales. The data is calculated from retail sales of durable goods in the nine census regions, building materials, home, garden supply and mobile home retail trade in the four Census divisions and national building material and supply sales. Sales were adjusted by a price deflator to arrive at a measure of unit volume.

The Department of Commerce has issued a new measure for GNP. In the next report we will discuss the significance of this series for building material and supply store sales.

Earnings drop at Pay 'N Pak 34% to 1.76M

KENT, Wash. — Pay 'N Pak reported a 34% drop in earnings to $1.76 million on a 5% sales gain to $81.6 million in the third quarter ended Nov. 30.

In a statement, chairman David J. Heerensperger said the 104-unit retailer "was hurt by the unexpected and severe snowstorm in the Pacific Northwest in November and by delays in getting our four new San Francisco Bay Area stores open."

Pay 'N Pak opened two warehouses in San Francisco and South San Francisco in November, and will open two more Bay Area stores this month. Pay 'N Pak also converted three stores in the Portland, Ore., market, which it acquired from Handyman, to its warehouse format in the third quarter. Pay 'N Pak now operates 31 warehouse-format stores.

For the nine months of the current fiscal year, Pay 'N Pak has recorded a 23% earnings decrease to $6.86 million on a 6% sales gain to $259.2 million.

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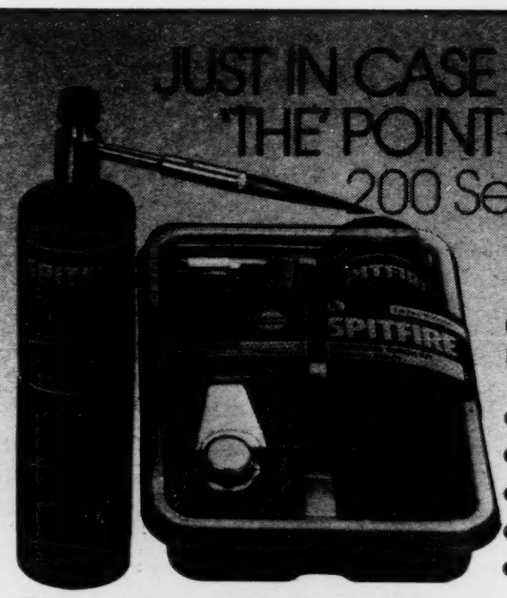

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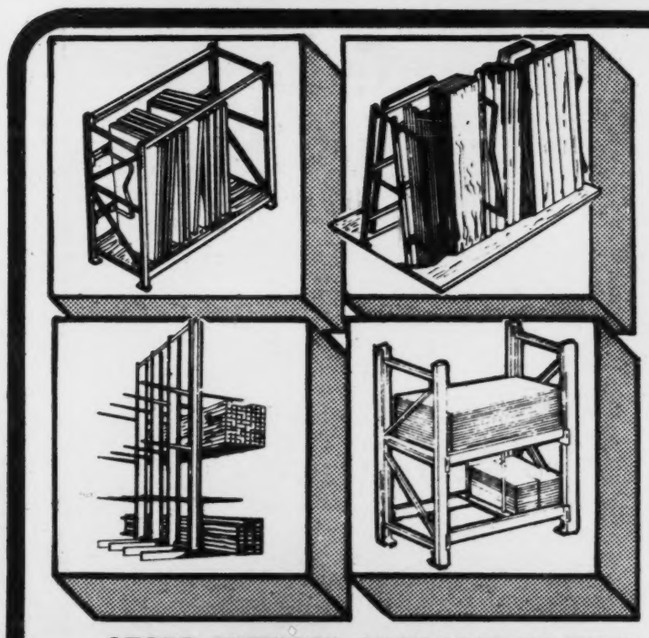

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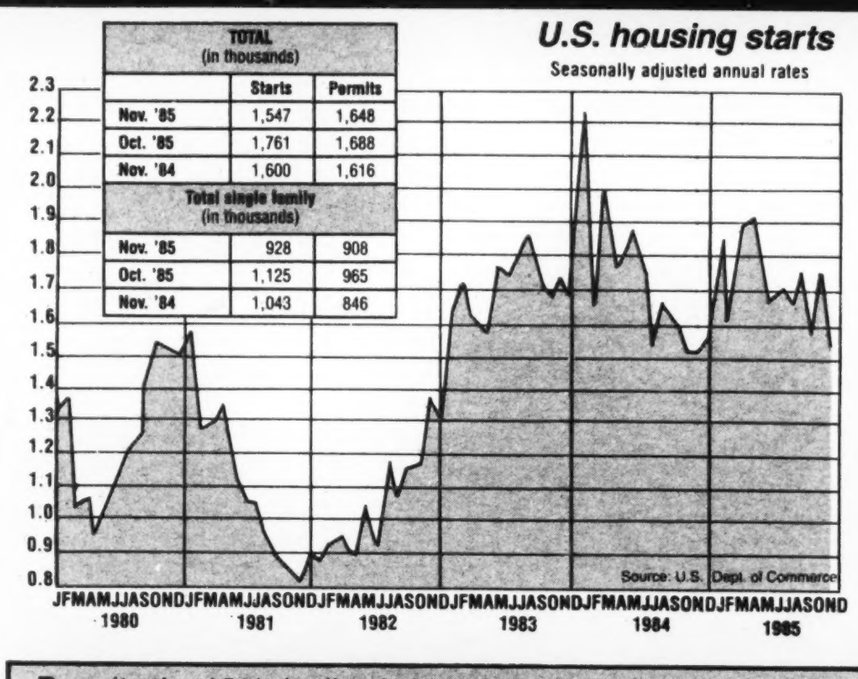
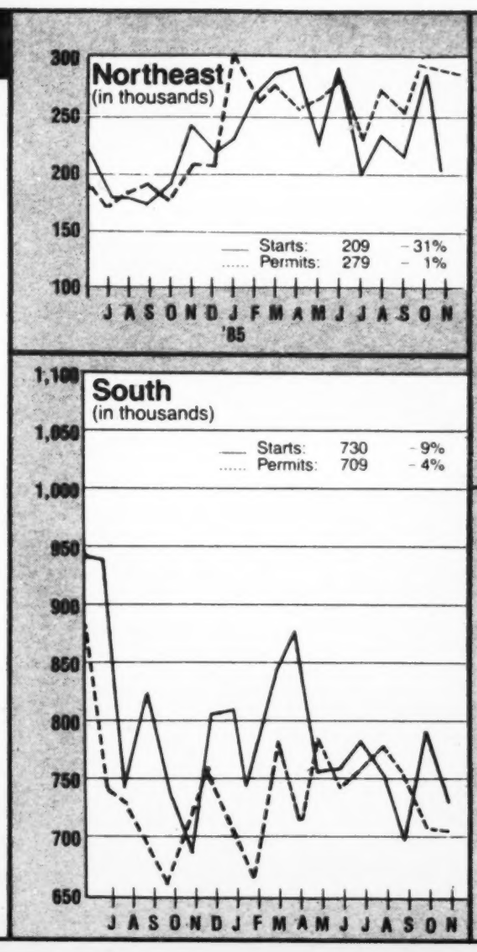
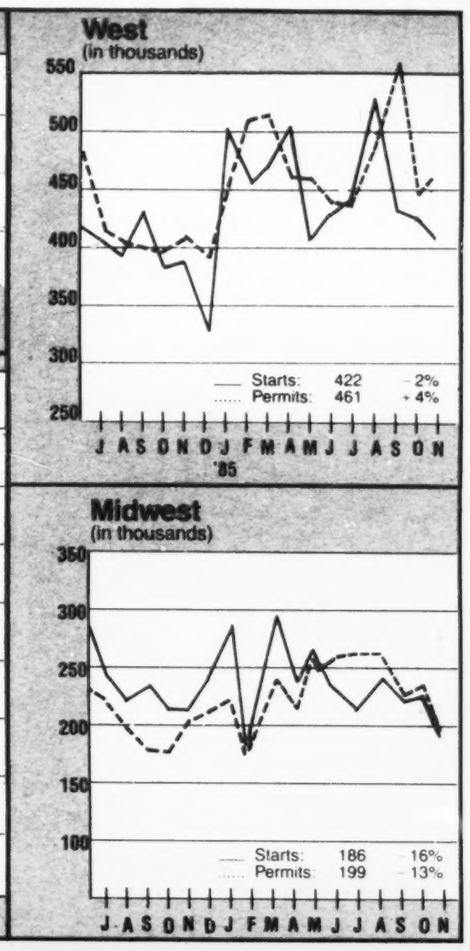
HOUSING WATCH



Despite the 12% decline in housing starts in November, the National Assn. of Home Builders believe 1985 will finish near its 1.72-million-unit goal. Starts in November, however, produced a seasonally adjusted annual rate of $1.55 million units, the lowest level in 15 months.





Nov. starts plunge 12%

NATIONAL REPORT — November housing starts plunged 12% to a seasonally adjusted annual rate of nearly 1.55 million units, the lowest pace since August 1984 when the rate was 1.54 million units, according to U.S. Commerce Department reportings.

Single-family construction also declined during this period, by 18%, to a seasonally adjusted 928,000 units. Housing permits dropped, too, by 2% to 1.65 million units and single-family permits declined 6% to 908,000 units, seasonally adjusted.

All four regions charted declines in November. The Northeast led the way with a 31% loss, to 209,000 units, seasonally adjusted. The only increase recorded in November came from the West. Permits there rose 4% to a seasonally adjusted 461,000 units.

November's declines have not altered the 1.72-million-unit prediction for 1985 by the National Assn. of Home Builders, noted Gopal Ahluwalia, assistant staff vp-director of research. "When December starts are in we'll be very close to it," he added.

November's declines are not noteworthy, said Ahluwalia and Dr. George Sternlieb, director of the Center for Urban Policy Research at Rutgers University in New Brunswick, N.J., month-to-month figures never are, they said.

Ahluwalia noted that the slowdown was inevitable, that the charged housing pace could not continue, particularly in the Northeast, which fueled the numbers every month, and in the Midwest. And the weather affected construction, too, he said, adding that the housing market is no longer based on the first-time buyer but on the move-up buyer who perceives that housing is not as good an investment or hedge against inflation as it used to be.

Sternlieb agrees in part but charges that value is not always an ingredient in new housing and that builders have inflated the cost of their product and cancelled out the benefits of lower mortgage rates, which were expected to fuel a housing boom in 1985.

Fixed-rate mortgages have been hovering at the 12% mark, with adjustable rate loans falling to about 9% in recent months. Housing starts, however, have fluctuated alternately up, then down each month last year.

Compared to November 1984, housing starts were down 3% and single-family starts were down 11%. Permits, however, were up 2% in November compared to the corresponding month in 1984 and single-family permits were up 7%.

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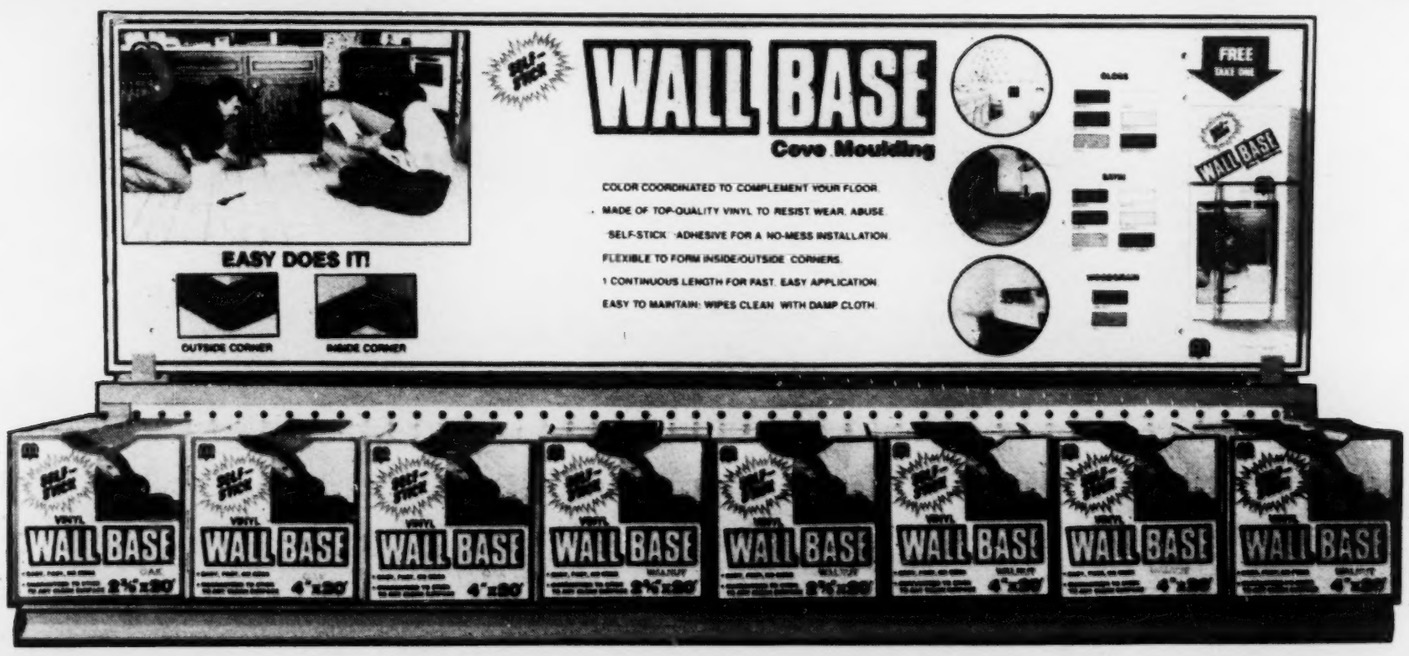
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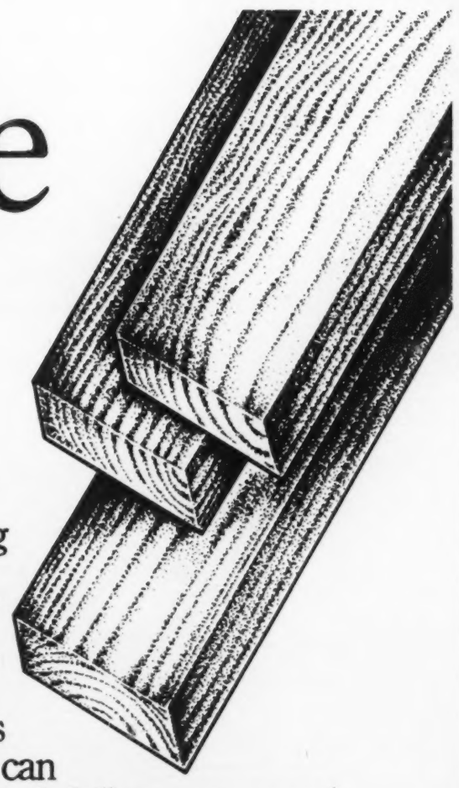

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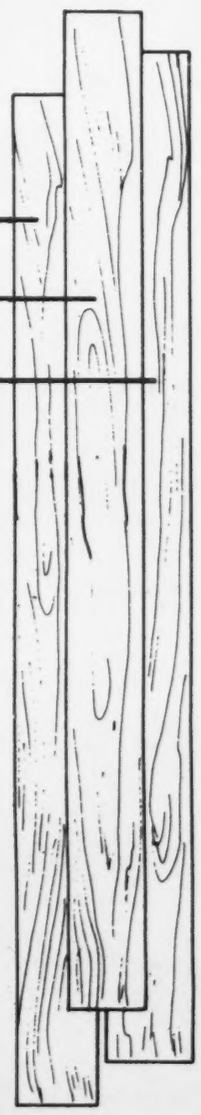

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LUMBER REPORT

House passage of modified tax bill stirs forest industry's ire

'There's no doubt that our next step is going to be to convince the Senate that this bill [the modified Reagan tax bill] is injurious to capital intensive industries like our own. If the Senate wants to have a viable forest products industry in this nation, they had better take a long hard look at this bill.'

—Luke Popovich,
National Forest Products Association

By Milford Prewitt
NHCN Staff Editor

WASHINGTON — Despite months of intense lobbying for and against tax reform, the House of Representatives passed a modified Reagan tax plan Dec. 17, but a version that contains intact all of the major provisions the forest products industry had condemned.

The approval came just one week after President Reagan suffered a resounding defeat in the House by the Ways and Means Committee, which voted to defer consideration of the tax bill until the new year. But personal lobbying by the President and bi-partisan allies in the House resurrected the tax plan by changing procedural debating rules and utilizing obscure rules of order.

The bill is headed to the Senate where many observers feel it will face some changes and emerge slightly more favorable to big business.

But it is the survival of the timber provisions in the bill that has stirred the ire of the forest products producers and lumber retailers.

While they may differ on the question of curbing Canadian lumber imports, the National Lumber & Building Materials Dealers Assn. and the National Forest Products Assn. (NFPA) has joined forces within the past few months and urged their membership to flood House representatives with letters calling for the dismantling of the timber tax plans.

As the bill stands currently, there are three provisions in the tax plan that forest products producers and lumber dealers believe would seriously cripple the forest industry.

One of the components of the plan would remove capital gains treatment for timber and allow the government to tax the revenues of forest products producers as ordinary income and not as investment income.

A second despised portion of the tax bill would not allow the timber growers to earn any investment tax credits from expenses incurred from constructing new roads, building new mills or fighting forest fires.

The third part of the bill that draws the industry's anger, as well as the use of other capital intensive industries, would not permit forest products companies to stretch out depreciation allowances over longer periods of time.

Luke Popovich, a spokesman for the NFPA, denounced the bill and suggested that the tax plan in its current version threatens the survivability of American forest products concerns to compete overseas. Although he said he was not surprised by the timber provisions remaining in the vote, Popovich said the next step is to find sympathetic Senators like Sen. Bob Packwood (R-Ore.), chairman of the powerful finance committee and a strong opponent of the timber proposals, to challenge the reform package.

"There's no doubt that our next step is going to be to convince the Senate that this bill is injurious to capital intensive industries like our own," Popovich said. "If the Senate wants to have a viable forest products industry in this nation, they had better take a long hard look at this bill.

"This package is going to raise the cost of capital to the extent that this industry just won't be able to compete, not only at home, but globally. People just won't have the incentive to invest in this business."

But Popovich said he has been encouraged by Packwood's influential and outspoken criticism of the tax plan and hopes that the senator is able to remain a dilligent antagonist of the reform plan.

"The chairman has been talking out against this for a long time and his view is a lot different from the Reagan view," Popovich said. "He is independent and thinks his own way."

With all the debate on tax reform, the bevy of legislation proposing limits on foreign imports, especially lumber, were brushed aside.

At least five bills in Congress affecting lumber imports will be carried over into January. The most publicized piece of legislation to date has been the Gibbons Bill, sometimes referred to as the countervailing duties act.

Although many in the forest products industry are confident that the bill will pass the House intact sometime in 1986, many fear that the bill faces a more uncertain future in the Senate and the likelihood of a presidential veto.

The Gibbons bill, which pits lumber dealers and forest product producers into two opposing camps, proposes to establish countervailing tariffs on foreign imports whose governments subsidize industry operations and whose products are priced lower than similar American goods.

In the meantime, U.S. Trade Representative Clayton Yeutter is expected to conduct top level discussions with the Canadian Trade Minister James Kelleher and Canadian forest industry representatives early this year.

In a press release, Yeutter said he will work to "eliminate the distorting impact of Canadian price practices."

* * *

A survey by Random Lengths, a weekly newsletter of the forest products industry, showed that nearly 50% of lumberyard operators in the Midwest last year increased their stockkeeping units to appeal to the DIYer.

According to the poll, of 179 respondents who operate a total of 1,642 stores and yards, nearly three-fourths continued to count on contractors for more than 50% of their sales. But about a fourth relied on the DIY trade, with more than half of those polled in the midwest indicating they depend on DIYers.

In another finding, Random Lengths discovered that 85% of the lumberyard operators in the West purchased Canadian lumber, but that these same retailers indicated that 10% or less of their gross sales was in Canadian wood.

FUTURES

Two weeks ended Dec. 12, 1985

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's: $ per 1,000 bd. ft.

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Jan. '86	153.20	150.20	152.70	149.90	3,200	187.30	133.60
March	157.90	154.80	157.40	154.20	2,171	195.00	139.70
May	161.20	158.40	160.90	158.60	754	176.40	145.20
July	164.50	162.10	163.70	162.30	196	183.40	149.50
Sept.	167.10	164.50	165.00	165.70	188	189.00	152.90
Nov.	166.80	164.50	165.50	165.90	100	166.90	153.00
Jan. '87	171.00	168.20	170.00	170.00	15	173.50	164.50

Total Contract Vol. (Through 12/12): 12,436 — **Previous Two Weeks: 10,727**
Total Open Interest (As of 12/13): 6,614 — **Previous Week: 6,950**
Cash Price: $147.00 — **Previous Week: $147.00** — **Year Ago: $145.04**

CME—Chicago Mercantile Exchange
*Figures for Thursday, Dec. 12.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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Perspectives

merchandising

9 out of 10 shoppers own hand tools
Hand tool ownership and buying patterns

	Total shoppers		DIY ability: Beginner		Intermediate		Advanced		Expert	
Product	Own	Bought in past 2 yrs.	Own	Bought in past 2 yrs.	Own	Bought in past 2 yrs.	Own	Bought in past 2 yrs.	Own	Bought in past 2 yrs.
All hand tools	97.3%	75.4%	94.8%	74.6%	97.6%	74.6%	98.0%	77.3%	97.7%	79.7%
Screw driver	97.1	36.9	94.0	31.3	97.5	36.2	98.0	38.0	97.7	47.4
Hammer	96.9	21.3	94.0	15.7	97.3	19.4	97.7	22.8	97.7	30.1
Adjustable wrench	96.2	15.8	94.0	15.7	96.6	16.4	97.2	15.5	97.0	16.5
Tape rule	96.5	34.0	89.6	26.1	97.2	33.6	97.8	34.4	97.7	45.1
Socket wrench set	95.2	21.6	85.8	18.7	96.0	23.6	97.0	22.1	97.0	18.8
Hand saw	95.1	13.4	89.6	11.9	94.8	16.0	97.5	12.1	96.2	12.8
Utility knife	94.1	20.3	83.6	17.2	94.3	18.5	96.6	21.3	96.2	29.3
Level	93.3	17.4	79.9	14.9	93.0	18.2	96.6	18.6	95.5	15.0
Vise grip pliers	91.2	15.4	75.4	13.4	91.6	16.4	93.9	14.9	94.7	18.8
Caulking gun	90.9	17.4	74.6	20.9	90.3	17.3	95.5	16.7	94.0	19.5
None	2.7	24.6	5.2	25.4	2.4	25.4	2.0	27.7	2.3	20.3

No. of respondents/total shoppers: 1,648; Beginners: 134; Intermediate: 669; Advanced: 639; Expert: 133.
Source: Rodale Press, *New Shelter* magazine; *NHCN* chart

At least 20% of the beginner DIYers purchased a screw driver, tape rule or caulking gun in the past two years.

Screwdrivers top poll on who buys and owns hand tools

NATIONAL REPORT — Most DIYers, whether they consider themselves beginners or experts, own hand tools. And, 10 types of hand tools are owned by 9 out of 10 respondents to a recently published survey conducted by Rodale Press' *New Shelter* magazine, which polled its subscribers last year.

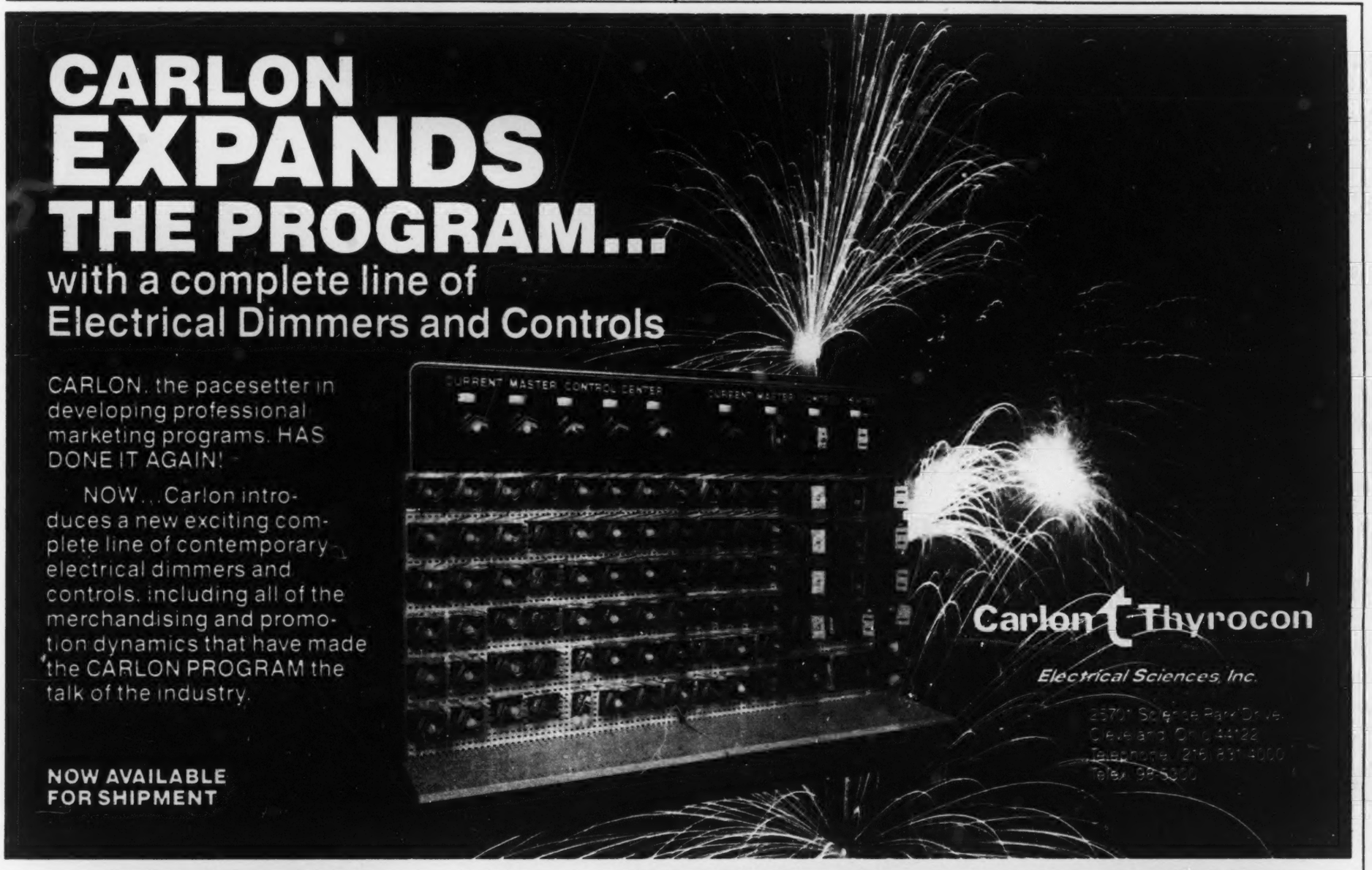
Three out of four of the study's respondents—comprising a group of more accomplished home improvers—bought some type of hand tool in the past two years. That proportion increased even higher—to almost 8 out of 10 respondents—among those who classified themselves as DIY experts.

As far as the individual tools are concerned, the screwdriver is owned by almost all of *New Shelter*'s readers. A hammer, adjustable wrench and tape rule are also owned by a great number of respondents, with the tape rule a real up-and-comer as 34% of the total DIY shoppers said they purchased a tape rule in the past two years—second only to the screwdriver.

On the other hand, while a high percentage of shoppers said they own an adjustable wrench, a relatively lower percentage, just 15.8%, said they purchased such a tool in the past two years.

New Shelter's 1985 Homeowners' Data Base Study represents a national cross-section of homeowners (91% of the sample) and nonhomeowners who said they could be motivated to purchase a home in the next 12 months. The survey queried 2,319 subscribers to the magazine. As part of a joint research effort with *NHCN*, the data in the report is based upon the responses of 1,648 subscribers who identified themselves as home center shoppers. The hand tool section of the report contains the results of 1,496 respondents.

American consumers love hand tools, some of which can be seen behind glass at this Hill-Behan Lumberjack store in St. Louis. NHCN photo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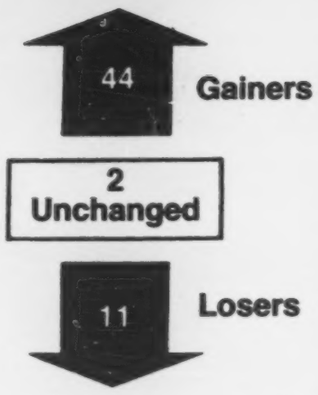
FINANCIAL NEWS



For the two week period ended Dec. 20, about four times as many home center stocks gained in value as lost.

It was the second consecutive period of substantial price improvement, reversing a downward trend that had dogged the industry since late summer.

Gainers outpaced losers 44 to 11 with two stocks unchanged. Home center stocks continued to enjoy the upward ride taken by the market generally and it seemed as if the year would end upbeat.

Strong performers were led by Hechinger B which gained 19.2% to $21.75, while Hechinger A, also a leading performer, was up 12.9% to $19.75.

Home Depot stock retained its strength at 13.25, still considerably off its $20.38 52-week high but a rebound from its $10.50 low of a few months ago.

Poor performers included Homecrafters Warehouse, which was off 15.4% to $1.38 following its Chapter 11 filing early last month and Pay 'N Pak, which was off 5.5% to $13.

Pay 'N Pay reported a 34% earnings drop on a 5% sales gain for its third quarter. Results were attributed to weather and store opening expenses.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Ply-Gem A	5,874	776.3	1.5
Wickes Cos A	176,577	622.0	11.8
Hechinger A M	11,751	558.8	12.9
Grace W R N	58,049	466.8	7.6
Waxman Ind M	3,121	362.8	10.7
Homecrafters Whse M	7,307	314.4	- 15.4
Natl Lumber M	975	311.9	- 2.5
SW Forest Ind N	13,113	305.7	10.5
Stanley Works N	7,231	288.1	6.1
Masco Corp N	20,892	287.1	5.2
Lowe's Cos N	19,613	286.4	7.0
Owens Corning N	10,852	261.4	6.3
Sears, Roebuck N	142,783	244.7	1.3
Thos Inds N	1,583	234.0	14.6
Home Depot N	13,252	230.6	17.8
Color Tile M	8,706	228.0	2.6
Hechinger B M	2,060	225.5	19.2
Pay N Pak N	4,517	213.9	- 5.5
Svc Merchandise M	27,868	202.2	2.0
MacMiln Bldel N	177	200.0	16.7

TOP GAINERS

Company & Market	2-Weeks Ended 12-21-84	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Hechinger B M	21.75	19.2	2,060
Mor-Flo Inds M	18.63	18.3	383
Home Depot N	13.25	17.8	13,252
MacMiln Bldel N	17.50	16.7	177
Thos Inds N	20.63	14.6	1,583

TOP LOSERS

Company & Market	2-Weeks Ended 12-21-84	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Homecrafters Whse M	1.38	- 15.4	7,307
Pay N Pak N	13.00	- 5.5	4,517
Certain-teed N	26.63	- 4.1	2,225
Natl Lumber M	4.88	- 2.5	975
Lewis Palmer M	7.75	- 1.6	843

National Home Center News® HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 12-20-85	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile M	19.75	.50	2.6	21.50	19.50	21.50	15.25	8,706	9.38	2.86	228.0	13.2	.00	.0	.....	3 mos.	09-85	95.0	25.8	3.3	17.9	.36	16.1	95.0	25.8	3.3	17.9	.36	16.1
Erb Lumber M	35.75	2.75	8.3	35.75	33.50	36.50	18.00	125	1.40	.63	122.2	6.1	.00	.0	.....	9 mos.	09-85	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent A	25.50	.50	2.0	25.75	25.00	25.75	19.38	93	.23	.27	- 14.8	47.2	.15	.6	NEW	9 mos.	10-85	72.8	14.3	.0	- 100.0	.00	- 100.0	200.0	5.7	3.6	20.0	.45	12.5
Grace W R N	47.63	3.38	7.6	49.50	44.00	49.50	35.50	58,049	11.96	2.11	466.8	15.0	2.80	5.9	.....	9 mos.	09-85	1758.1	6.0	25.3	- 23.6	.41	- 39.7	5246.9	7.1	102.2	- 25.1	1.96	- 30.0
Handyman A	26.50	- .38	- 1.4	26.88	26.38	29.63	21.75	161	.64	.96	- 33.3	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A M	19.75	2.25	12.9	20.00	17.25	23.19	16.00	11,751	13.44	2.04	558.8	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	21.75	3.50	19.2	21.75	18.75	24.19	16.00	2,060	1.53	.47	225.5	22.4	.08	.4	.....	9 mos.	10-85	118.3	17.8	5.5	17.0	.23	9.5	362.2	19.7	16.5	11.5	.70	7.7
Homecrafters Whse M	1.38	- .25	- 15.4	1.50	1.00	10.00	1.00	7,307	25.82	6.23	314.4	NE	.00	.0	.....	6 mos.	07-85	51.8	19.4	(1.8)	- 100.0	(.64)	- 100.0	97.6	22.2	(3.3)	- 100.0	(1.18)	- 100.0
Home Depot N	13.25	2.00	17.8	13.75	10.75	20.38	10.50	13,252	5.29	1.60	230.6	36.8	.00	.0	.....	9 mos.	10-85	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc N	71.50	3.63	5.3	72.13	68.00	73.63	58.38	6,957	4.92	2.19	124.7	18.0	3.08	4.3	.....	6 mos.	08-85	644.0	- 8.1	23.2	- 4.9	1.47	- .7	1233.0	- 8.4	34.4	- 21.6	2.18	- 17.7
K mart Cp N	35.13	.25	.7	37.38	34.75	41.50	30.63	52,879	4.21	1.54	173.4	10.9	1.40	4.0	.....	9 mos.	10-85	5223.2	4.6	77.4	- 16.2	.60	- 15.5	15667.8	10.2	210.7	- 28.5	1.64	- 27.8
Lowe's Cos N	25.00	1.63	7.0	25.38	23.00	31.13	20.75	19,613	5.41	1.40	286.4	4.1	.36	1.4	.....	9 mos.	10-85	3833.0	756.2	441.1	2406.3	4.90	900.0	4880.9	271.8	473.9	831.0	5.81	312.1
Mich General A	3.75	.13	3.4	4.38	3.50	8.13	3.25	2,568	2.26	1.00	126.0	NE	.00	.0	.....	9 mos.	09-85	128.3	3.6	(7.9)	- 100.0	(.69)	- 100.0	335.4	- 2.6	(23.2)	- 100.0	(2.05)	- 100.0
Natl Lumber M	4.88	- .13	- 2.5	4.94	4.63	7.50	4.50	975	1.73	.42	311.9	24.4	.00	.0	NEW	9 mos.	09-85	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak N	13.00	- .75	- 5.5	15.00	12.50	15.25	11.50	4,517	4.52	1.44	213.9	14.4	.64	4.9	.....	6 mos.	08-85	90.5	3.1	3.0	- 21.1	.30	- 21.1	173.1	6.7	5.1	- 17.7	.51	- 17.7
Payless Cash N	15.88	.88	5.8	16.25	14.63	23.38	13.50	18,636	5.08	1.85	174.6	14.6	.16	1.0	.....	9 mos.	08-85	379.4	13.4	12.4	- 3.9	.36	- 10.0	1010.0	19.7	27.0	- 2.5	.80	- 7.0
Scotty's Inc N	15.00	.75	5.3	15.00	14.25	16.38	12.38	2,986	2.08	.70	197.1	12.2	.52	3.5	.....	3 mos.	09-85	110.3	8.5	2.8	- 17.6	.20	- 23.1	110.3	8.5	2.8	- 17.6	.20	- 23.1
Sears, Roebuck N	39.25	.50	1.3	41.13	38.75	41.13	30.88	142,783	3.93	1.14	244.7	11.0	1.76	4.5	.....	9 mos.	09-85	10047.1	3.7	262.2	- 18.5	.71	- 19.3	28647.1	3.4	751.0	- 15.8	2.03	- 17.8
Svc Merchandise M	13.00	.25	2.0	13.75	12.75	16.13	11.00	27,868	8.37	2.77	202.2	22.0	.08	.6	.....	9 mos.	09-85	528.3	69.7	(15.1)	- 100.0	(.45)	- 100.0	1421.0	53.3	(18.4)	- 100.0	(.55)	- 100.0
Std Brd Pnt N	20.13	.38	1.9	20.75	19.50	23.88	18.13	4,688	4.13	1.69	144.4	12.1	.56	2.8	.....	9 mos.	10-85	90.0	10.4	4.0	- 24.5	.35	- 27.1	266.4	9.1	14.2	- 12.9	1.26	- 14.3
Supermkts Gen N	48.00	- .38	- .8	51.00	47.63	51.00	33.25	3,032	1.69	.87	94.3	13.3	.48	1.0	.....	9 mos.	10-85	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	38.2
Wickes Cos A	4.75	.50	11.8	5.63	4.13	5.63	3.13	176,577	18.41	2.55	622.0	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber M	6.25	.25	4.2	6.25	5.88	7.25	4.63	1,057	1.81	.92	96.7	12.0	.16	2.6	.....	9 mos.	09-85	46.8	12.5	1.2	9.1	.20	5.3	113.3	10.0	2.2	22.2	.38	22.6
Zayre Corp N	61.00	4.38	7.7	66.13	57.00	66.13	32.44	7,636	2.85	1.50	90.0	18.0	.48	.8	.....	9 mos.	10-85	942.0	21.3	27.6	22.1	1.02	21.4	2537.0	20.6	56.7	24.3	2.09	22.9
Wholesalers																													
Lewis Palmer M	7.75	- .13	- 1.6	8.00	7.38	9.38	6.38	843	2.15	.77	179.2	59.6	.27b	3.5	.....	9 mos.	10-85	39.9	- 9.9	.6	.0	.16	6.7	110.4	- 2.9	.8	- 42.9	.22	- 43.6
Manufacturers																													
Allegheny Int N	19.38	.00	.0	19.63	17.00	28.75	17.00	10,295	9.57	4.65	105.8	NE	1.40	7.2	.....	9 mos.	09-85	511.5	- .9	(71.4)	- 100.0	(7.35)	- 100.0	1519.2	- 1.0	(56.3)	- 100.0	(7.47)	- 100.0
Am Standard N	38.88	1.38	3.7	39.63	36.88	39.63	26.75	15,586	3.97	1.49	166.4	13.1	1.60	4.1	.....	9 mos.	09-85	830.9	.3	28.2	- 3.1	.71	- 5.3	2498.2	6.2	85.8	2.0	2.18	- 4.8
Armstrng Wrld N	44.38	1.63	3.8	45.25	42.63	45.25	30.38	7,612	3.18	1.57	102.5	11.0	1.30	2.9	.....	9 mos.	09-85	446.7	13.1	28.1	23.2	1.17	23.2	1253.2	5.6	78.3	6.7	3.26	8.7
Black & Decker N	20.50	1.50	7.9	20.63	18.75	26.88	17.25	22,575	4.45	2.29	94.3	NE	.64	3.1	.....	fiscal	09-85	454.3	- 5.9	(195.1)	- 100.0	(3.83)	- 100.0	1732.3	13.0	(158.4)	- 100.0	(3.11)	- 100.0
Boise Cascade N	45.75	.88	1.9	46.25	44.63	51.00	37.25	11,800	4.34	1.84	135.9	25.0	1.90	4.2	.....	9 mos.	09-85	934.2	- 3.0	20.3	- 37.9	.65	- 42.5	2844.5	- 2.2	85.3	- 9.4	2.84	- 12.3
Certain-teed N	26.63	- 1.13	- 4.1	27.88	25.75	28.50	21.25	2,225	1.17	.62	88.7	9.2	.70	2.6	.....	9 mos.	09-85	304.1	- 7.0	18.3	408.3	.93	447.1	848.0	- 7.4	43.0	45.3	2.18	48.3
Champ Intl N	24.25	- .25	- 1.0	25.00	23.38	26.75	20.00	40,068	4.31	1.65	161.2	NE	.52	2.1	.....	9 mos.	09-85	1330.4	17.6	37.9	- 5.7	.37	- 43.9	4575.1	33.4	125.0	14.3	1.22	- 31.5
Clopay Corp A	15.88	.63	4.1	16.25	15.13	22.19	11.25	150	.98	.35	180.0	NE	.16	1.0	.....	9 mos.	09-85	38.5	6.6	(1.2)	- 100.0	(.78)	- 100.0	103.7	6.3	(1.7)	- 100.0	(1.10)	- 100.0
DeSoto Inc N	36.38	.88	2.5	36.38	34.50	37.88	31.50	660	1.38	.73	89.9	11.8	1.40	3.8	.....	9 mos.	09-85	109.2	- 4.5	4.1	- 31.7	.86	- 18.9	330.1	.3	11.3	- 29.4	2.37	- 16.8
Emhart Corp N	33.13	2.63	8.6	33.25	30.50	33.25	26.25	4,922	1.78	.68	161.8	12.2	1.40b	4.2	.....	9 mos.	09-85	421.2	.1	17.0	- 20.6	.61	- 28.2	1290.6	- 4.1	56.4	- 13.0	2.03	- 21.3
Georgia-Pacifc N	26.25	1.00	4.0	26.50	25.13	27.38	20.50	40,066	3.89	1.57	147.8	32.0	.80	3.0	.....	9 mos.	09-85	1752.0	- .3	58.0	- 30.1	.52	- 29.7	5126.0	4.3	174.0	- 20.2	1.56	- 8.8
Insilco Corp N	21.00	.00	.0	21.38	19.25	21.38	16.63	5,805	2.95	1.46	102.1	13.1	1.00b	4.8	.....	9 mos.	09-85	209.1	1.0	5.9	- 35.2	.30	- 41.2	637.1	5.1	22.5	- 12.5	1.20	- 15.5
La Pacific N	23.00	.50	2.2	23.38	22.38	24.75	17.63	7,784	2.19	1.00	119.0	19.7	.80b	3.5	.....	9 mos.	09-85	332.3	6.3	11.3	63.8	.32	77.8	948.3	.2	18.7	- 11.8	.53	- 10.2
MacMiln Bldel N	17.50	2.50	16.7	17.50	14.75	21.34	12.47	177	.06	.02	200.0	26.5	.00a	.0	.....	9 mos.	09-85	597.1	- 1.0	12.1	61.3	.18	350.0	1733.7	11.9	22.5	NE	.10	NE
Manville Cp N	6.25	.75	13.6	6.25	5.25	8.63	5.13	10,250	4.27	1.44	196.5	NE	.00	.0	.....	9 mos.	09-85	471.4	- 4.0	(98.6)	- 100.0	(4.37)	- 100.0	1405.4	3.5	(66.0)	- 100.0	(3.53)	- 100.0
Masco Corp N	40.50	2.00	5.2	42.38	38.00	42.38	26.00	20,892	3.60	.93	287.1	27.6	.64	1.6	.....	9 mos.	09-85	NC	NC	(48.6)	- 100.0	(.10)	NE	449.1	- 44.2	23.2	- 75.4	1.14	- 31.7
Mor-Flo Inds M	18.63	2.88	18.3	18.75	16.25	20.25	14.50	383	1.51	.88	71.6	8.8	.01	.1	.....	9 mos.	09-85	47.0	.9	.3	- 81.3	.11	- 82.5	153.0	3.9	3.7	- 22.9	1.45	- 24.5
Natl Gypsum N	43.88	- .25	- .6	45.13	43.25	47.25	24.34	11,350	4.96	2.33	112.9	8.4	1.52	3.5	.....	9 mos.	09-85	468.0	4.2	35.1	24.9	1.53	26.4	1277.4	- .8	96.6	18.4	4.16	18.9
Newell Co N	22.50	.50	2.3	22.63	21.50	22.63	15.13	571	.66	.77	- 14.3	11.6	.60	2.7	.....	9 mos.	09-85	92.2	36.4	5.4	74.2	.60	66.7	253.4	15.9	13.4	34.0	1.48	27.6
Owens Corning N	37.75	2.25	6.3	38.75	35.75	38.75	30.50	10,852	3.65	1.01	261.4	9.3	1.40	3.7	.....	9 mos.	09-85	870.5	8.0	38.9	11.8	1.31	11.0	2338.4	3.2	87.1	8.5	2.94	7.7
Ply-Gem A	16.88	.25	1.5	17.25	15.88	17.25	12.63	5,874	13.67	1.56	776.3	15.2	.16	.9	.....	9 mos.	09-85	39.5	- 2.7	1.1	37.5	.25	31.6	123.0	- .2	3.1	- 3.1	.77	- 12.5
Pope & Talbot N	19.63	1.25	6.8	20.25	18.13	21.50	15.63	1,395	2.33	1.39	67.6	85.3	.80	4.1	.....	9 mos.	09-85	82.0	- .6	2.1	NE	.34	NE	250.3	3.8	6.1	48.8	1.01	46.4
Potlatch Cp N	36.38	1.50	4.3	36.38	34.25	43.63	28.38	2,043	1.33	3.43	- 61.2	14.5	1.56	4.3	.....	9 mos.	09-85	239.6	- 3.8	11.3	1.8	.65	1.6	722.9	- 4.6	33.3	- 15.9	1.93	- 13.1
Sherwin-Wms N	46.50	1.75	3.9	46.50	44.75	46.50	26.75	3,593	1.57	.71	121.1	14.7	.92	2.0	.....	9 mos.	09-85	578.8	4.8	29.1	15.0	1.26	13.5	1677.5	6.6	63.3	13.2	2.75	13.2
SW Forest Ind N	11.88	1.13	10.5	11.88	10.50	15.88	9.88	13,113	14.12	3.48	305.7	NE	.00	.0	.....	9 mos.	09-85	181.6	- 10.6	(2.8)	- 100.0	(.45)	- 100.0	530.9	- 9.6	(7.3)	- 100.0	(1.25)	- 100.0
Stanley Works N	32.75	1.88	6.1	33.75	30.75	33.75	24.50	7,231	2.60	.67	288.1	12.0	1.04	3.2	.....	9 mos.	09-85	297.1	.8	19.4	7.2	.70	7.7	885.9	3.9	52.6	5.2	1.92	7.3
Thos Inds N	20.63	2.63	14.6	20.75	17.88	20.75	14.41	1,583	1.77	.53	234.0	11.6	.65b	3.2	.....	9 mos.	09-85	79.1	- .5	4.9	14.0	.54	14.9	231.9	8.1	12.0	.0	1.34	.0
Triangle Pac N	35.25	- .25	- .7	36.25	34.75	37.00	26.00	485	1.28	1.11	15.3	9.8	1.00	2.8	.....	9 mos.	09-85	69.0	- 3.5	4.7	9.3	1.24	21.6	198.2	- 4.5	11.6	8.4	2.90	12.0
USG Corp N	50.25	5.00	11.0	50.25	45.13	50.25	29.06	8,949	2.68	1.21	121.5	8.0	1.68	3.3	.....	9 mos.	09-85	657.4	3.7	65.7	38.3	1.96	36.1	1891.3	10.7	169.9	16.9	5.08	15.5
Walter, Jim N	42.75	1.75	4.3	42.75	40.63	42.75	31.00	8,180	3.87	1.87	107.0	8.4	1.40	3.3	NEW	fiscal	08-85	627.9	11.2	38.4	13.9	1.75	12.9	2292.3	1.5	111.7	15.2	5.11	14.8
Waxman Ind M	11.63	1.13	10.7	11.75	10.25	16.88	6.59	3,121	9.95	2.15	362.8	17.4	.08	.7	.....	3 mos.	09-85	21.5	4.9	.6	- 14.3	.18	- 55.0	21.5	4.9	.6	- 14.3	.18	- 55.0
Weyerhaeuser N	30.88	- .25	- .8	32.38	30.38	34.00	24.75	31,332	2.41	.91	164.8	29.4	1.30	4.2	NEW	9 mos.	09-85	1291.8	- 51.6	38.6	- 33.8	.24	- 40.0	3967.6	- 4.2	136.5	- 31.3	.89	- 34.6

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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Home security products—pp. 27-33

National
Home Center News®

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Grace execs eye LBO's of home center divisions

By Brad Altman
NHCN staff editor

NEW YORK — Key executives at several W. R. Grace & Co. home center divisions are contemplating possible leveraged buyout deals in the wake of Grace's decision to sell off its retail empire.

However, no formal purchase offers apparently have been presented to Grace, which is still pondering the most profitable way to dispose of its 660-unit specialty store and home center retail group, which was placed on the selling block Dec. 10.

"I have one going," Sean Lee, president of 91-unit Grace Home Centers West based in southern California, said when asked if he was interested in pursuing an LBO with Grace.

"I have lined up some investor friends and we are talking to Kidder Peabody and Merrill Lynch," Lee said. "Right now we are waiting for First Boston [Grace's investment banker and adviser] to set the worth of the individual units."

Top Grace sources told *NHCN* that executives with New Jersey-based Channel home centers also are interested in such an LBO opportunity, but Channel officials declined to discuss their intentions publicly.

As previously reported (*NHCN*, Jan. 1, 1986), a group of employees led by president Thomas Thornton at Grace-owned, 21-unit Orchard Supply Hardware are interested in taking the California chain private through a leveraged buyout.

In a leveraged buyout, a small group of investors ac-

(Continued on page 5)

NEWSBREAKS

BE GAMBLES ON VEGAS. Builders Emporium, which operates all 63 of its stores in California, plans to expand outside the state for the first time through the purchase of three Von Tobel's units in Las Vegas from Pay 'n Save Corp.

DIXIELINE LUMBER TO OPEN FIRST NEW UNIT SINCE 1979. The five-unit chain, sold in late 1985 by Weyerhaeuser to diversified manufacturer Nortek Inc. will build its sixth facility on a four-and-one-half-acre site next to Mission Gourge Road in San Diego, according to William Cowling II, president. Grand opening is set for September.

Gambles merges with Our Own to help bolster market position

By John Caulfield
NHCN staff editor

MINNEAPOLIS — Gambles, the hardware wholesaler that was purchased by its employees from Wickes Cos. on Aug. 3, 1984, has agreed in principle to merge its operations with Our Own Hardware, the 11th largest wholesale co-op in the industry.

The deal, for an undisclosed sum, will bring together two companies whose fortunes in recent years have been stymied by a sagging farm economy in the Midwest and by their inability to expand at the rate of their competitors.

Gambles, which has operated here since 1925, currently services around 400 Gambles dealers, another 300 independents and a number of chain accounts (including Wickes Lumber) for a total of 1,200 dealers. Last year, its sales

(Continued on page 5)

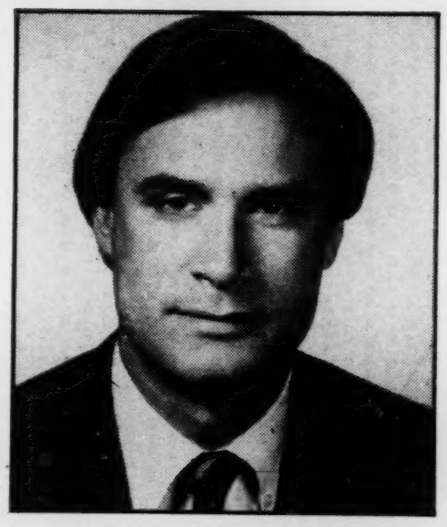
Family passes president's torch to third generation at Hechinger

John Hechinger Sr. joins Richard England as firm's co-chairman

LANDOVER, Md. — John W. Hechinger Jr. will become president of Hechinger Co., effective Feb. 2, the start of the corporation's 1986 fiscal year, the chain announced earlier this month.

John W. Hechinger Sr., who has held the presidency of the chain since 1958, will join Richard England as a co-chairman, and will retain the title of ceo, according to the firm.

"I do not anticipate any significant change in our direction, or in our management,"



John W. Hechinger Jr.

said John W. Hechinger Jr., in an interview shortly after the company announced his promotion. "I think our business

(Continued on page 53)

John Hechinger Jr. assumes new position from vp development

LANDOVER, Md. — Elected by the Hechinger Co. board of directors to the position of company president effective Feb. 2, John W. Hechinger Jr. is the third generation of his family to occupy that position.

Born in 1950, Hechinger Jr. has been with the company in various capacities for 14 years. In his most recent position, vp of corporate development, Hechinger was responsible for real estate, construction and market re-

(Continued on page 53)

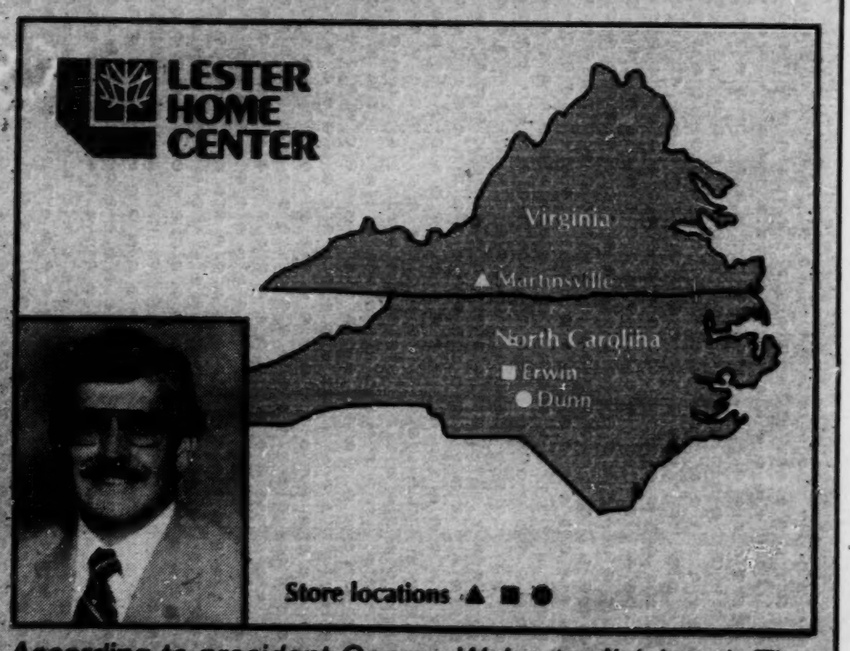
Virginia firm maps 15% growth plan; buys independent in North Carolina

MARTINSVILLE, Va. — In the opening round of a new drive to expand its retail operations beyond its current market area, The Lester Group, a $25 million operator of two retail outlets headquartered here, purchased the assets of Godwin Building Supply late last month.

The acquisition of Godwin, which operated two stores in the North Carolina towns of Dunn and Erwin, increases the volume of Lester to $37 million annually, and moves the firm out of its home state for the first time.

Lester also said it was planning to purchase another single-unit building mate-

(Continued on page 6)



According to president George W. Lester II (above), The Lester Group intends to grow by 15% annually in an effort to expand its retail operations. Photo courtesy of the Lester Group

Homecrafters terminates over 400 employees as 11 warehouses are shuttered

By Phillip M. Perry
NHCN staff editor

BIRMINGHAM, Ala. — Homecrafters Warehouse closed all 11 of its warehouse stores Dec. 31, terminating over 400 employees as the company continued to operate under Chapter 11.

Rejection of the leases on the warehouse units was approved by U.S. Bankruptcy Court in Birmingham on Dec. 30. However, the amount Homecrafters will be required to pay the lessors of the properties has still not been determined.

"We are trying to assist the landlords in finding someone to use the spaces available," said Dick Shepperd, cfo of the company which continues to operate 28 traditional home centers in the Southeast. While no buyers had yet been found for the leaseholds earlier this month, Shepperd noted that there were several possible takers, at least one of which was outside of the home center field. The company would not divulge the names of potential buyers of the leaseholds.

Because the amount Homecrafters will need to pay the lessors has still not been determined, the net effect of the new development on the cash-crunched firm is not known.

(Continued on page 52)

NHCNews Briefs

Industry Update

HomeClub-Zayre deal signed

BOSTON — HomeClub Inc. approved a merger with Zayre Inc., giving HomeClub owners $14.25 a share or 0.2373 shares of Zayre common stock (N.Y.S.E.), according to merger agreements.

The Jan. 9 vote of 6.2 million shares for the proposal represented a majority of HomeClub's 10.3 million shares outstanding. HomeClub will continue operations under its name as a wholly owned subsidiary of Zayre.

According to the merger agreement, Robert J. McNulty receives a base salary of $300,000, a maximum three-year incentive bonus of $500,000, possible Zayre incentive stock options of $100,000 and 5,000 common shares. Zayre common stock closed Jan. 8 at $58.

Easco tool sale on hold

BALTIMORE — Easco Corp. here has terminated its negotiations with an investor group seeking to buy the company's hand tool division.

However, Easco—whose stock hit a new low on Jan. 10—still intends to sell the division, whose 1985 sales fell slightly to $190 million but appears to becoming profitable again after losing $12.7 million in 1984. "We looked at the offer before us, and decided we had a better avenue to take," said Burgess Hildreth, Easco's vp-administration.

In October, an investor group comprised of some of the division's managers and the Chicago firm of Peter W. Smith & Co., agreed to buy the troubled division for $110 million. Smith withdrew from the bargaining and, according to a source familiar with this deal, was replaced by J. P. Industries in Ann Arbor, Mich.

Grace West moves HQs

DIAMOND BAR, Calif. — Grace Home Centers West, the 91-unit, California-based division of W. R. Grace's home center retail group, was set to consolidate its separate Pasadena and Brea offices under one roof in this Los Angeles County suburb effective Jan. 27.

The new corporate headquarters—a four-story, 89,000-sq.-ft. building—is located at 22324 E. Golden Springs Drive, Diamond Bar, Calif., 91765.

Investors buy Household unit

PROSPECT HEIGHTS, Ill. — Household International here has completed its deal to sell off its merchandising group, and will receive $520 million in cash, $125 million in notes, and a 10% share of the acquiring company.

The leveraged buyout of this unit, which includes Coast-to-Coast, the franchised wholesaler, was conducted by an investor group that included part of the unit's management and Donaldson, Lufkin and Jenrette, the investment banker.

Also involved is Bass Limited Partnership, based in Greenwich, Conn., which is made up of the Bass brothers of Fort Worth, Tex.; Equitable Life Assurance Society of the U.S., a New York life insurance company; and Drexel Burnham Lambert, a New York investment firm.

L&G Expo in Ky. thru 1990

LOUISVILLE, Ky. — The Kentucky Fair & Exposition Center here will continue to be the stage for the International Lawn, Garden and Power Equipment Expo at least through 1990, according to a new, extended lease agreement between the Outdoor Power Equipment Institute and the Kentucky State Fair Board.

The exposition center here was the site of the outdoor power group's shows in 1984 and 1985. OPEI president, Robert Bergen, said that the commitment to the five-year lease is a reflection of both exhibitors' and attendees' satisfaction with Louisville and the facilities at the exhibition center.

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Vol. 12, No. 3 January 27, 1986

Ernst drafts Howenstein from Central

SEATTLE — Gene Howenstein, former vice chairman of Central Hardware, Bridgeton, Mo., has joined Ernst Home Centers as senior vp and gmm, according to Michael Rouleau, Ernst president.

Separately, 20-year Ernst veteran William P. Boston, most recently assistant to the president reporting to Rouleau, resigned. Rouleau, a former Minneapolis-based Target discount stores executive vp, replaced Boston as head of the now-76-unit Ernst chain in February 1985.

In a related personnel move, Mack DuBose, formerly Ernst merchandise director, has become director of merchandising, planning and development, a newly created position, Rouleau said.

Howenstein, 58, worked at Central Hardware from 1968 to September 1985. His positions there included executive vp, vp-operations and vp-merchandising. Rouleau described Howenstein as "a heavy hitter," adding that his arrival was "a very positive thing" for Ernst.

Howenstein said that before joining Ernst late last year he oversaw the liquidation of Eagle Family Discount Stores in Florida. The stores were owned by St. Louis-based Interco, which is Central Hardware's parent.

Rouleau said Boston will not be replaced. Boston told *NHCN* he decided to leave because "it was time to take some time off." He said he is exploring various options including "looking at opening up my own business." Boston was Ernst division general manager from 1978 to 1985. He began at Ernst as a receiving clerk in 1966.

Rouleau said DuBose's responsibilities include strategic planning, store remodeling and construction, consumer research and merchandise strategy. DuBose joined Ernst in 1984 from W. R. Grace, where he was a divisional manager within its Western home center region.

In 1985, Ernst opened three stores—two stores in the Seattle market cities of Renton and Issaquah in November and a unit in Everett, Wash., in September.

Former Central Hardware vice chairman, Gene Howenstein will serve Ernst as a sr. vp and gmm.

The store openings raised Ernst's chainwide count to 76 units in six Western states, including three Von Tobel's home centers in Las Vegas, Nev.

Ernst is owned by Seattle-based Pay 'n Save Corp., acquired in 1984 by The Trump Group, the New York-based financial and business concern.

UPC labels considered for live plants

BEDFORD, Mass. — Retailers, growers, label printers and nursery industry groups and associations were expected to meet this month in Chicago to consider funding a major study on the implementation of bar coding for the horticultural industry.

Sponsored by The Planting Council, the meeting was scheduled to address ways to minimize difficulties in using the Universal Product Code and discuss retailer and grower benefits of bar coding systems.

Like recent moves by hardware manufacturers to print bar codes on their products' packaging, the impetus behind a bar code program for the horticultural industry comes from large discounters, such as K mart, who are demanding better ways to keep track of their green goods inventory. But, bar coding of green goods is also likely to appeal to home center retailers, many of whom operate full-blown lawn and garden departments and sell plants on a year-round basis.

Some of the impetus for bar coding plants comes from large discounters such as K mart.

"We are actively discussing ways of handling green goods better," said Greg Fuller, merchandise manager at All American Home Center, Downey, Calif.

All American makes its own UPC tickets for its merchandise and about a quarter of its hardware and houseware products are delivered to the store source-coded with UPC. The $25 million home center would be very interested in "any ideas out there on bar coding green goods," added data processing manager Ray Brown.

Because of the nature of green goods, nursery products traditionally have been difficult for retailers to re-

(Continued on page 53)

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merchandising

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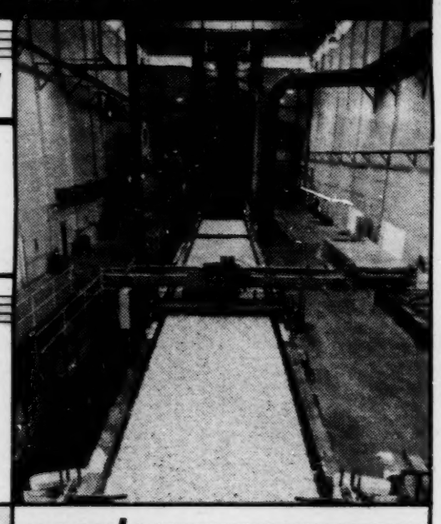

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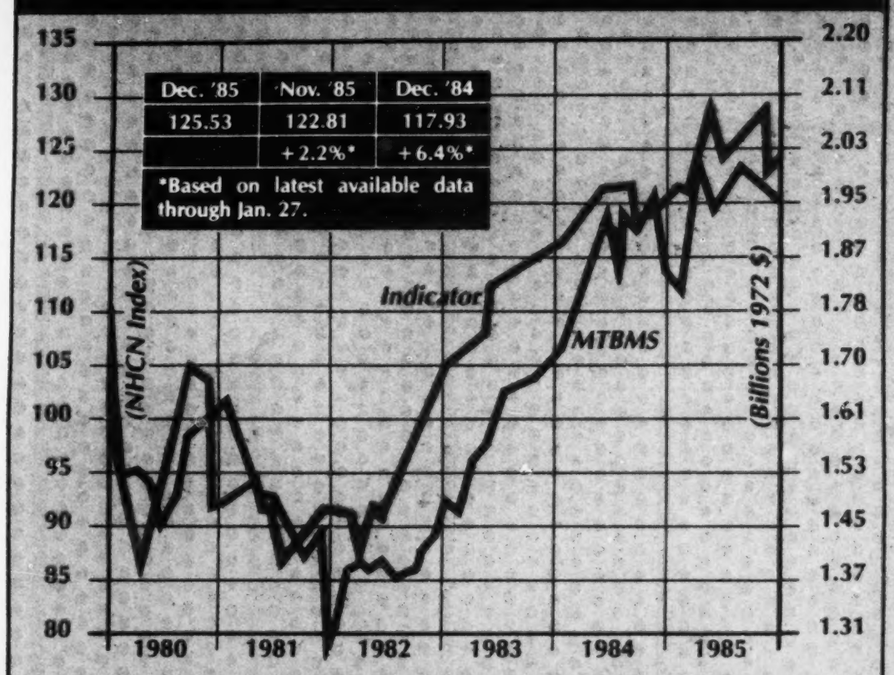
BUSINESS WATCH

National Home Center News Leading Indicator



MTBMS—Monthly retail trade building material and supplies in 1972 $.
Indicator—Represents projected level of retail building supply sales activity four to six months out from current month. Data based on real personal income, housing starts, resales, prime rate and other data.

Growth prospects confirmed, sales to post 6% gain in '86

By Richard E. Mount
Special to NHCN

The strong growth prospects for building material and supply store sales in 1986 that we have indicated in the past are being confirmed by recent economic indicators. The real volume of building material and supply sales will post a gain of 6% in real volume during the coming year due to the strength that exists in the resale housing market and the *NHCN* Leading Indicator along with the expected improvements in the general economy.

The *NHCN* Leading Indicator rose 2.2% in December from the prior month and is 6.4% ahead of a year ago. Its current heading points to continued gains in the real volume of building material sales during the first six months of 1986. The strength in the indicator is coming primarily from the improvement in the resale market. Resales averaged three million units in the first quarter of 1985 and will near 3.5 million in the fourth. Interest rates have shown little change in recent months and personal disposable income has advanced.

Richard Mount

The Leading Indicator has been experiencing some sharp swings in its pattern of late, however, reflecting the erratic shifts in housing starts. The wide month-to-month swings in the indicator do not herald a similar pattern for building material sales.

During 1986 the *NHCN* Leading Indicator will begin to moderate in its advance. By the second half of the year interest rates will begin to back up and reduce new and existing home sales. The remainder of the economy will be strong and rising employment will maintain the demand for building materials.

November's economic statistics continue the string of mixed readings about the health of the economy. But on balance, the indicators are consistent with respectable growth in the first half of 1986.

Consumers continue to spend at a rapid clip. Spending was up 1% in November. Households are benefiting from the climb in the stock market and modestly expanding labor markets. Consumer spending, on a year-to-year change basis, is going to decelerate considerably over the next few quarters, not being able to keep up the break-neck pace of early 1985.

The government has recently revised the GNP accounts. Income was adjusted upward in order to better capture unreported data. The price index for computers was reworked in order to better adjust for the technological advances and improved quality that has taken place in recent years. The base period for the inflation index has been changed from 1972 to 1982.

For building material and supply store management, the significance of the data changes in GNP is that the financial conditions of consumers are better than originally thought. The concern voiced by many was that consumers would begin to reduce buying patterns because of their debt. The higher level of income shows, however, a lower debt level and indicates that future sales of building materials and supplies can be funded from additional consumer debt. Second, the savings rate is higher than originally thought. Prior to the revisions, savings were running at about 3% of income but the new series puts the rate closer to 4.5%.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Outlook—Part One

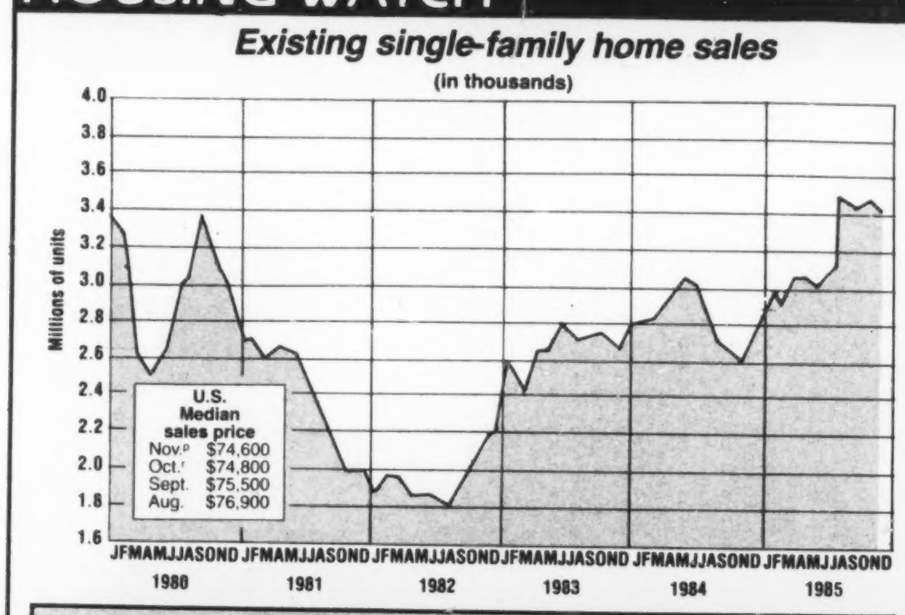
	Latest Available Data	1985 QI	1985 QII	1985 QIII	1985 QIV	1986 QI^p	1986 QII^p	1986 QIII^p	1986 QIV^p	1984	1985	1986
NHCN Leading Indicator (January 1980=100)	Dec.	120.2	124.3	125.1	123.4	127.5	127.7	127.8	127.9	117.8	123.3	127.7
General Economic Outlook												
GNP $1982 Billion	QIII	3,547.8	3,557.4	3,584.1	3,610.9	3,642.9	3,669.5	3,700.6	3,736.5	3,774.7	3,575	3,687.4
Real Disposable Income $1982 Billion	QIII	2,482.7	2,532.2	2,503.1	2,520.5	2,540	2,554.8	2,572.5	2,592.8	2,468.4	2,509.6	2,565.0
Housing Permits (000 SAAR)	Nov.	1,667	1,731	1,762	1,680	1,730	1,700	1,650	1,630	1,682	1,710	1,726
Housing Starts (000 SAAR)	Nov.	1,795	1,772	1,673	1,680	1,825	1,800	1,750	1,740	1,750	1,730	1,738
New Home Sales (000 SAAR)	Nov.	670	680	711	665	710	710	690	680	639	682	692
Resales (000 SAAR)	Nov.	2,970	3,047	3,363	3,450	3,250	3,250	3,200	3,150	2,868	3,208	3,278
Prime Rate %	Dec.	10.5	10.2	9.5	9.5	9.25	9.0	9.0	9.0	12.0	9.9	9.3
Mortgage Rate % (HUD)	Dec.	13.0	12.9	12.1	11.8	11.5	11.6	12.0	12.1	13.8	12.5	11.8
Consumer Price Index (1967=100)	Nov.	317.8	321.1	323.0	326.4	328.9	331.6	334.4	337.5	311.1	322.1	333.1
Producer Price Inde '1967=100)	Nov.	292.1	293.8	293.2	296.1	297.4	298.7	300.0	301.7	291.2	293.8	299.5
New Housing Affordability (1980=100)	Nov.	110.3	109.0	116.0	118.6	120.4	119.6	116.5	116.5	102.2	113.5	118.3
Residential Alterations and Repairs												
Current												
Total $ Millions (SAAR)	QII '85	84,900	70,400	70,575	72,928	75,498	77,773	80,356	82,801	69,784	74,701	79,107
Maintenance & Repair	QII '85	37,300	32,400	30,888	32,074	33,102	34,149	35,212	36,294	28,894	33,165	34,689
Additions & Alterations	QII '85	29,700	25,600	26,672	27,359	28,234	28,964	29,795	30,458	27,822	27,333	29,363
Major Replacements	QII '85	17,900	12,400	13,015	13,495	14,161	14,661	15,349	16,050	13,067	14,203	15,055
Constant												
Total Millions ($1977 SAAR)	QII '85	49,739	40,975	40,670	41,610	42,650	43,500	44,500	45,400	41,134	43,249	44,013
Maintenance & Repair	QII '85	21,853	18,858	17,800	18,300	18,700	19,100	19,500	19,900	17,029	19,203	19,300
Additions & Alterations	QII '85	17,400	14,900	15,370	15,610	15,950	16,200	16,500	16,700	16,406	15,820	16,338
Major Replacements	QII '85	10,487	7,217	7,500	7,700	8,000	8,200	8,500	8,800	7,699	8,226	8,375
Retail Trade Activity												
Current												
Total $ Millions (SAAR)	Nov.	1,339,688	1,374,052	1,403,728	1,389,600	1,412,455	1,435,138	1,456,935	1,484,099	1,297,015	1,376,767	1,447,157
Total Minus Automobile	Nov.	1,043,440	1,062,084	1,071,676	1,089,492	1,092,597	1,107,970	1,124,180	1,142,112	1,020,007	1,066,673	1,116,715
Building Material, Hardware, Garden Supply, Mobile Home	Nov.	69,816	72,024	73,132	74,656	76,707	77,682	78,703	79,666	68,703	72,207	78,189
Building Material & Supply	Oct.	50,468	53,012	53,248	55,937	56,565	57,408	58,439	59,295	49,774	53,166	57,927
Hardware	Oct.	9,844	9,984	10,256	10,489	10,502	10,537	10,666	10,796	9,530	10,143	10,625
Constant												
Total $ Millions ($1972 SAAR)	Nov.	636,632	651,792	664,088	656,708	660,900	664,865	668,280	674,000	621,128	652,283	667,011
Total Minus Automobile	Nov.	497,904	505,112	509,272	518,556	514,885	516,960	519,330	522,390	489,485	507,711	518,391
Building Material, Hardware, Garden Supply, Mobile Home	Nov.	30,476	31,908	32,537	33,078	33,650	33,748	33,845	33,920	31,185	32,090	33,789
Building Material & Supply	Oct.	22,284	23,484	23,690	24,648	24,670	24,790	24,985	25,100	22,623	23,525	24,886
Hardware	Oct.	4,344	4,424	4,563	4,620	4,580	4,550	4,560	4,570	4,334	4,489	4,565
Building Materials % of Total Less Automobile ($ Current)	Oct.	4.84	4.99	4.87	5.13	5.13	5.18	5.20	5.19	4.89	4.98	5.19

Data: Department of Commerce, Bureau of Labor Statistics, National Association of Realtors, Department of Housing and Urban Development
Jan. 9, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. Part I includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. Part II includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
e—estimate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

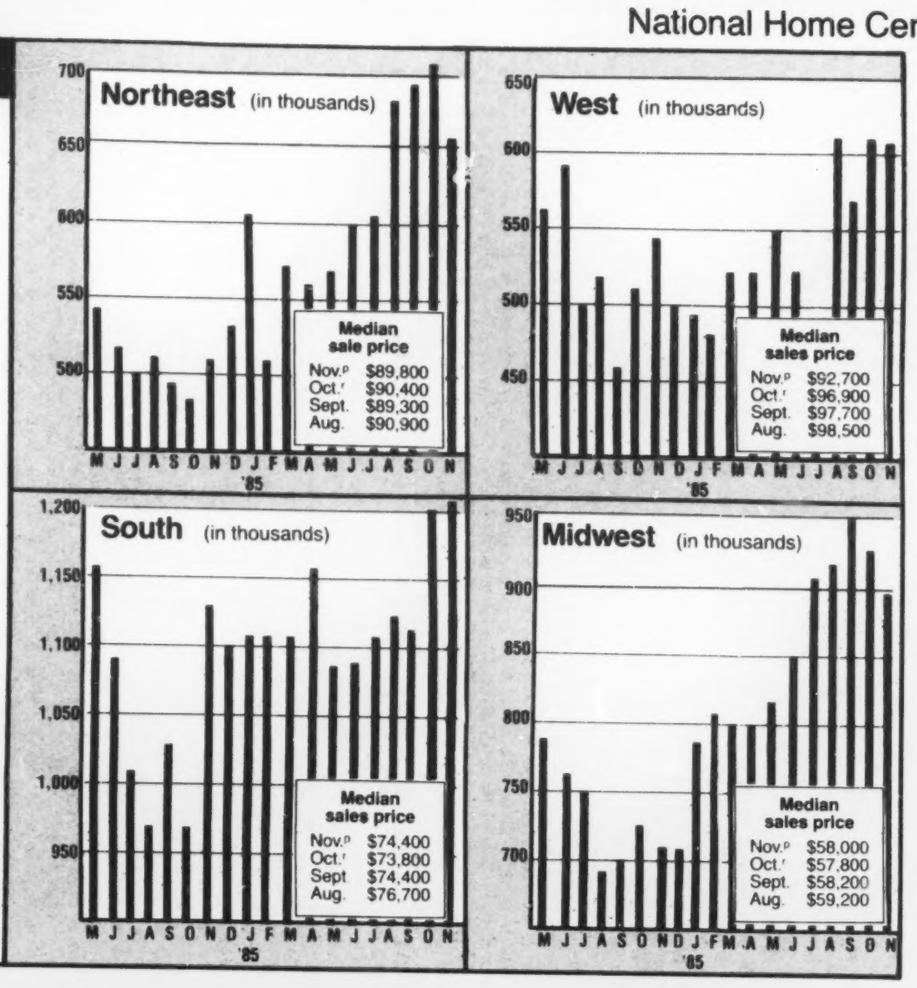
HOUSING WATCH



Despite a 3.4% decline in the home resales pace in November, the sale of previously occupied homes is up 21.2% over last year, the National Assn. of Realtors reported. Later this month when the total for 1985 is completed, the association is forecasting that 3.187 million existing single-family homes will have been sold compared to the 2.868 million sold last year.

p – preliminary r – revised

Source: Nat'l Assn. of Realtors



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Nov. resales decline 3.4%

NATIONAL REPORT — The winter slowdown in home resales took hold in November with three of the country's four regions recording sales pace declines that amounted to a 3.4% drop in activity, according to the National Assn. of Realtors.

Only the South, the largest region, recorded a sales pace increase in November, up 2.4% to 1.27 million units, seasonally adjusted.

Through November, annualized sales reached 3.43 million units, which was 21.2% above the 2.83 million units recorded for the same period last year. Jack Carlson, the association's chief economist and executive officer, forecasts that 1985 will record the sale of 3.187 million existing single-family homes compared to 2.868 million in 1984.

The median home price in November fell $200 to $74,600, the association reported.

The Northeast, where sales and appreciation have been the strongest of all the regions, charted an 8.3% decline in activity in November, to 660,000 units, seasonally adjusted, and a $200 decline in the cost of a median-priced home, to $89,800. Home prices for 11 months of 1985, however, rose 9.5% in this region, compared to 3.8% nationally.

The picture was slightly different in the West. The sales pace for existing single-family homes fell 4.7% in November, to 610,000 units, seasonally adjusted, and home prices dropped 4.5% from October, to $92,700. In addition to the home price drop, which was the largest in this recording period, the cost of a median-priced home in the West in November was $500 less than it was for the corresponding month in 1984, making it the only region to record a year-to-year decline in the cost of previously occupied homes.

Glenn Crellin, staff vp for economics and research at the NAR, explained that in the West, the most expensive region to purchase a home, many homes are smaller than they traditionally have been. Also, he noted, home prices have been stable there since 1981.

Resale home prices in the West, however, are due to rise in 1986, he noted.

Resale home affordability best in 7 yrs.

NATIONAL REPORT — Resale homes were more affordable in November than they've been in seven years, according to the National Assn. of Realtors.

The association's affordability index reached 99.7 in November, the highest level since December 1978 when the index was 102.2.

The 99.7 means that families earning $27,814 annually, the median in November, had 99.7% of the income needed to qualify for a mortgage loan covering 80% of the purchase price of the then median-priced home, $74,600.

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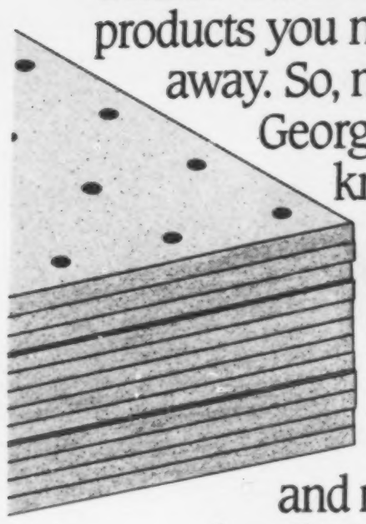

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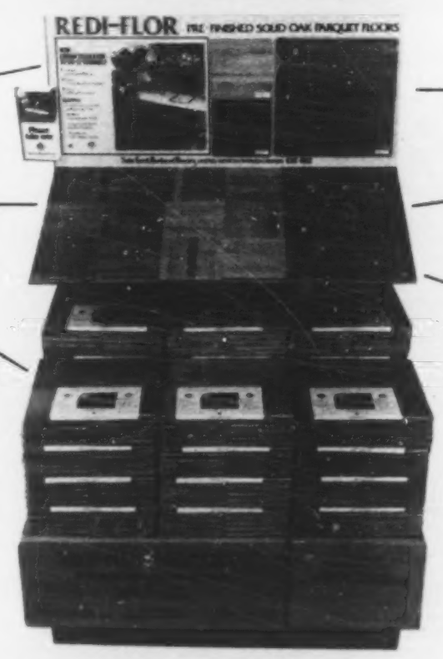
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LUMBER REPORT

Chicago positioned to become leading Canadian wood conduit

By Milford Prewitt
NHCN staff editor

CHICAGO — The Illinois International Port here is positioning to become a leading distribution center for Canadian lumber in the U.S. and a major conduit for consuming lumber markets in central and southern states.

In what has been called a significant boost to Chicago maritime industry, state officials, longshoremen and Canadian shipping authorities have reached an agreement to begin regularly scheduled shipments of Canadian lumber this April. The proposed cargo will consist mainly of dimensional lumber, particle-and waferboard, newsprint and pulp.

The shipments of Canadian lumber represents the first time in 15 years the port will receive lumber from Canada, according to Richard Vanderzee, a spokesman for the Illinois International Port Authority (IIPA).

Vanderzee said the first scheduled shipment in April will weigh about 100,000 tons, but the cargo sizes are expected to increase in time, he noted.

"For the port, this means hiring 20 new longshoremen full time and about $1.2 million in income," he said. "This is a really important development for us."

The success of the venture will hinge to a great extent on the ability of Newman Harbor Terminal Transportation and Warehouse Co.—a Windsor, Ontario-based shipper and principle mover in the deal—to find cargo for return trips to its shipping complex in Thunder Bay, Ontario.

"Coming to Chicago with Canadian lumber on a regularly scheduled basis will mean a sizable investment in equipment and at least one additional vessel," said Neils Jorgensen, president of Newman Harbor Terminals. "But the two factors that will weigh heavily on our efforts will be labor and port charges and the ability to get northbound return cargo."

But Jorgensen indicated the project is ripe with potential for the port, the shippers, labor unions and local retailers. He said he was pleased with the labor concessions the International Longshoreman's Union (ILA) offered and the marketing assistance of the IIPA to help find clients—probably from the heavy equipment and automotive industries—for shipping to Canada. In the long term, Jorgensen said Chicago's port would emerge as one of the major distribution facilities in the U.S. for Canadian lumber.

"Chicago is a natural distribution point for us," Jorgensen said. "It offers excellent transportation features no other Great Lakes port has and everything is here.

"We can expect the possibility of barging shipments to St. Louis, Memphis and the main Illinois, Ohio and Mississippi River ports. We can be competitive with our Canadian forest products all the way to New Orleans."

Last September, the company's flag vessel, the "Jensen Star," made a trial run to Chicago carrying three million board feet of dimensional lumber which was consigned to the Bloch Lumber Co., a Chicago-based, national-wholesale lumber distributor.

"This is the largest and most significant effort to date to capitalize on Chicago's location," said Ted Bloch, president of the firm, noting at the same time that the agreement takes advantage of the deregulation in transportation.

"This new freight environment will change the pattern of lumber distribution and will make Chicago a center for shipments to middle American markets," Bloch said. "We will be able to move it [lumber] by rail, truck or water."

Conscious of the growing antagonism by American forest product interests against Canadian lumber imports, Jorgensen said the shipments through Chicago should not be viewed as additional imports, but more accurately reflects a form of rerouting or detouring.

FUTURES

Two weeks ended Jan. 2, 1986

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.

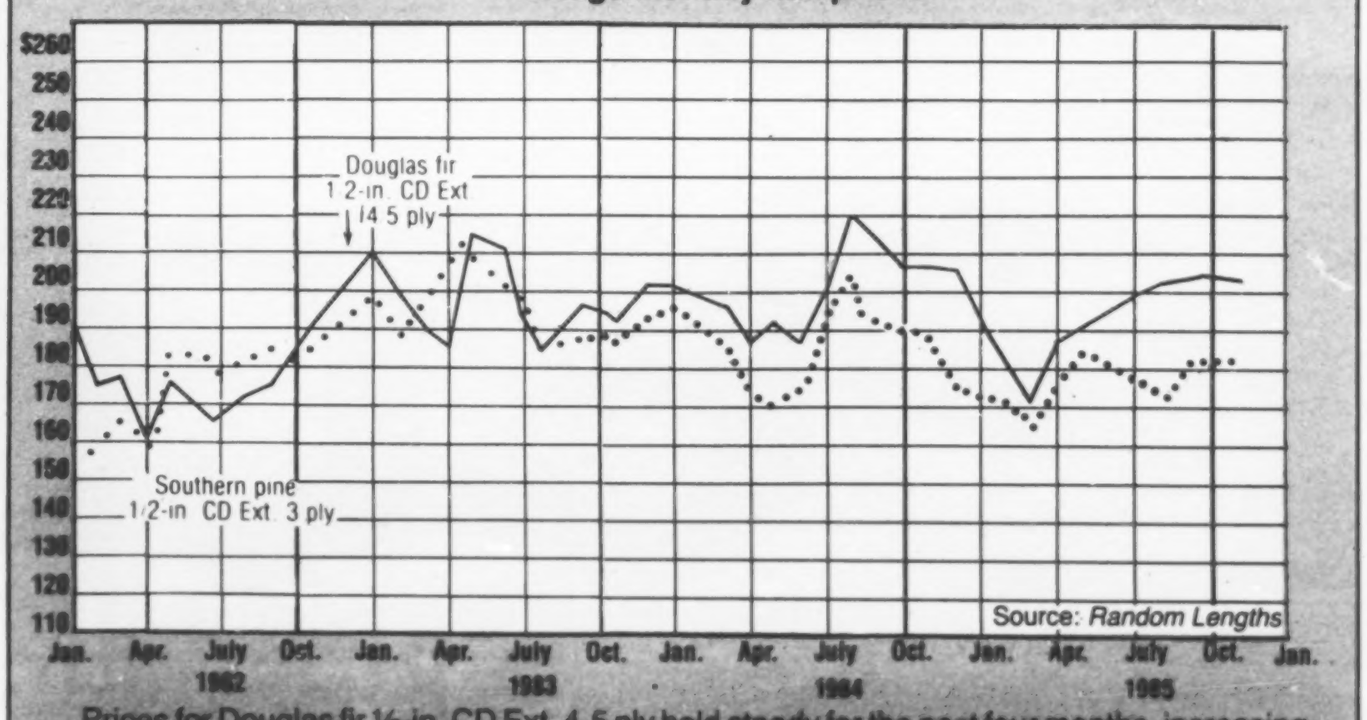
	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Jan. '86	147.70	143.60	144.90	149.10	1,602	187.30	133.60
March	153.80	149.10	149.80	154.70	3,241	195.00	139.70
May	158.40	154.50	155.10	159.10	978	176.40	145.20
July	162.50	159.10	159.90	163.00	259	183.40	149.50
Sept.	164.50	162.10	162.80	164.90	197	180.00	152.90
Nov.	164.90	162.50	162.90	165.70	118	166.90	153.00
Jan. '87	169.50	167.10	167.10	168.00	20	173.50	164.90

Total Contract Vol. (Through 1/2): 5,622 — **Previous Two Weeks: 12,436**
Total Open Interest (As of 1/2): 6,415 — **Previous Week: 6,438**
Cash Price: $151.90 — **Previous Week: $151.90** — **Year Ago: $158.76**

CME—Chicago Mercantile Exchange
*Figures for Thursday, Jan. 2, 1986.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Prices for Douglas fir ½-in. CD Ext. 4-5 ply held steady for the past four months, increasing by only $1 per thousand board feet. The panel was selling at $202 per thousand board feet in August and closed the month of November with a monthly average of $203.

Southern Pine ½-in. CD Ext. 3 ply rose from its August average of $174 per thousand board feet but has also leveled out in the past three months to close the month of November at $182 per thousand board feet.

Perspectives

cover story

Suppliers reorient structural panel market

By Milford Prewitt
NHCN staff editor

Dice a log into a couple of million pieces; sprinkle the chips until they form a carpet; spray with glue and moisture-resistant resins; smash the mixture into a press; dry it; cut it and a nonveneer, or reconstituted, structural panel is made.

Whether the nonveneer panel makers call their boards "Aspenite" (MacMillian-Bloedel Ltd.), "Structurwood" (Weyerhaeuser), "Blue Ribbon OSB" (Georgia-Pacific), "Waferwood" (Louisiana-Pacific), "Oxboard" (Potlatch Corp.), "Blandex" (Blandin Wood Products), "Weldboard" (U.S. Plywood), or "Norbord" (Northwood Panelboard Co.), there is little divergence between them in the technology used to make the product.

Where there had been two distinct camps, waferboard and oriented strand board (OSB), the differences now are not so sharp.

Just three years ago, OSB was easily distinguished as a composite board made from elongated wood chips directed along plys and then pressed together with each ply aligned at right angles to the adjacent ones. In the old waferboard format, square chips were randomly pressed together without the strict orientation.

Those distinctions no longer hold, however. Orienting chips does not increase production costs significantly, but it improves the products structural strength. In fact, it improves strength to the point that OSB and oriented waferboard receive comparable performance ratings from the American Plywood Assn. (APA). Almost all the nonveneer panel product produced today contains oriented chips.

"In just four or five years, the reconstituted panel industry has evolved to the point that not only is the performance of the boards closer together, but they even look alike," said Bill Rooney, marketing director for L-P, the largest of the nonveneer panel makers. "We switched to the oriented waferboard because it gives you a better panel at relatively no additional cost."

Rooney noted, "OSB and waferboard are ultimately the same product."

The factors Rooney identified that compelled L-P to switch to the orienting process is part of a broad, industry-wide commitment by the forest products companies to produce more nonveneer panels in the ensuing years.

The commitment is an extensive one that some pundits say may eventually brush plywood to the sidelines in the very near future. However, total structural panel production is growing slowly, so producers are looking to take their growth from new markets and from each other.

Nonveneer may overtake plywood in 10 years

Bowen Smith, a forest products analyst with Salomon Brothers, the investment firm, annually issues a builders' attitude survey on structural panel substitutes. He projected that the market acceptance for nonveneer panels will squeeze plywood out by 1995. In addition, Smith forecasts that the higher operating cost associated with plywood mills also will contribute to their demise.

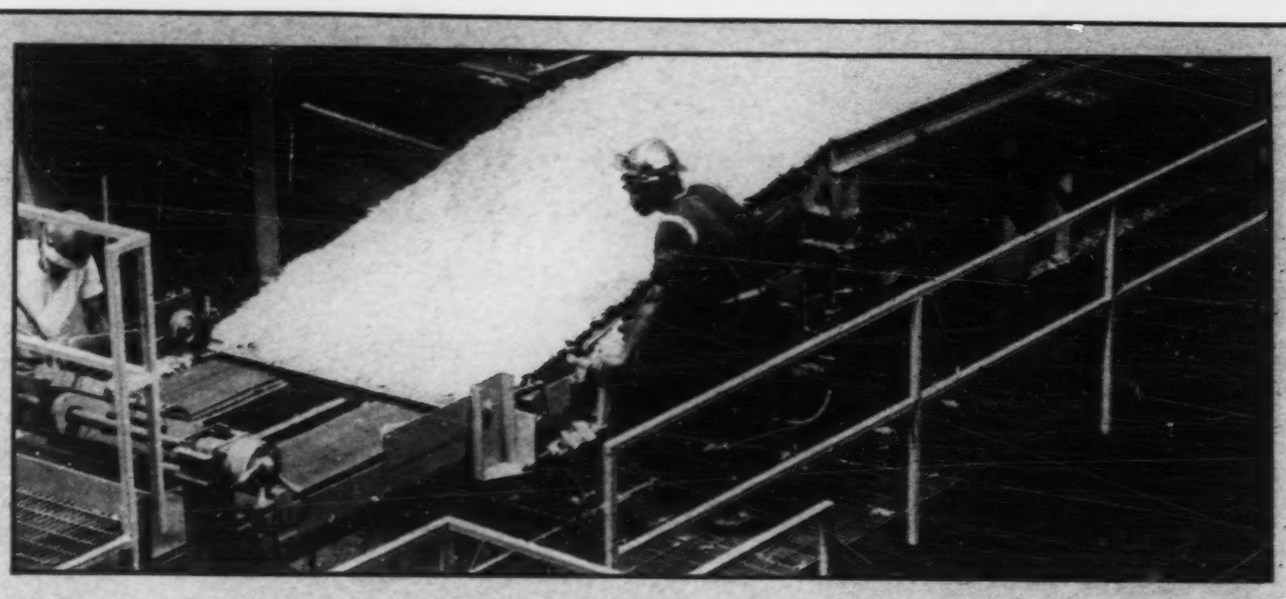
"Ten years from now, every end-use that uses plywood will be able to take OSB or waferboard," Smith said. "The higher priced products [plywood] are in jeopardy and people are just getting tired of working with knotholes.

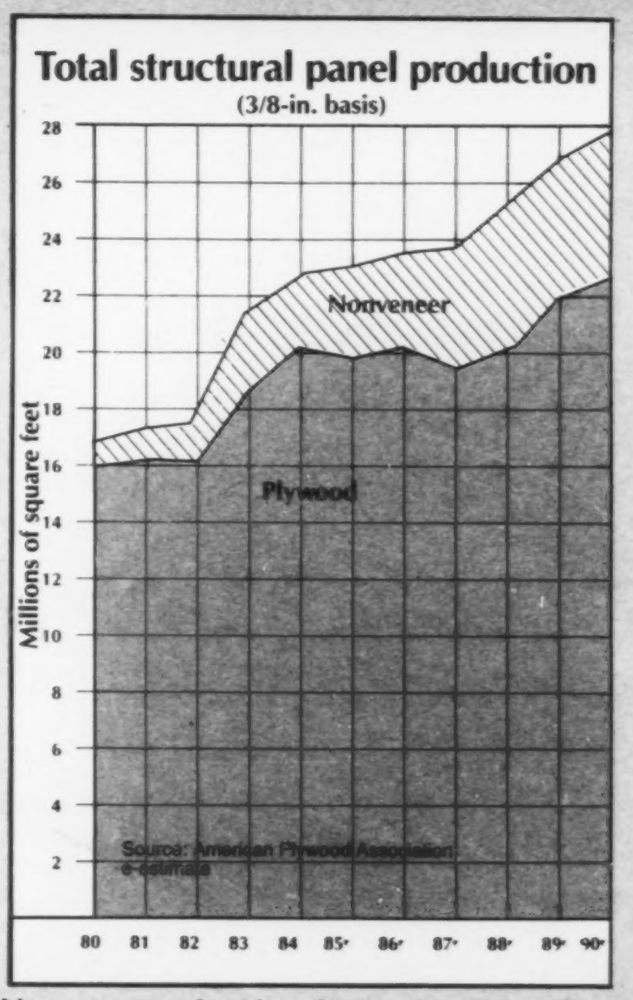
"But plywood is not only going to lose out for price reasons, it's going to lose it on quality because the amount of good timber needed to produce quality veneer is declining rapidly."

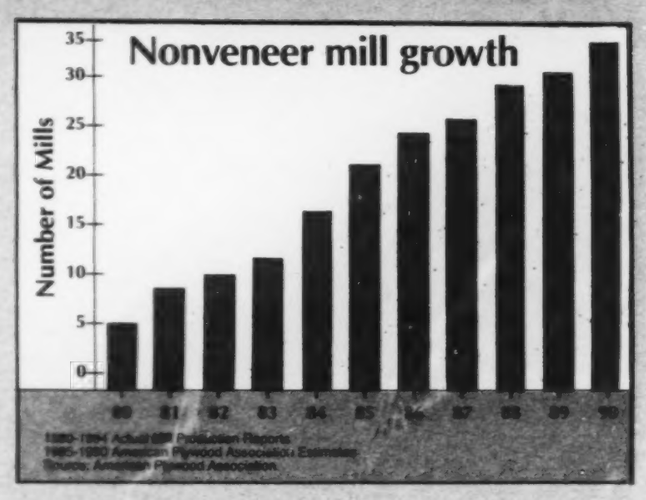
While plywood continues to dominate in both production and market share, figures from the APA tends to support the observation that Smith and others are on track.

From a production output of 443 million sq. ft. in 1980, of a total of 16.7 billion sq. ft. of capacity in the total structural panel market, the nonveneer panel presence has risen to 15% of production, for an 800% increase by the end of 1985. What is more, of the 18 structural panel mills announced to be built by 1990, the APA reports that 13 will be nonveneer. By 1990, the APA estimates that 19% or 5.4 billion sq. ft. of a total structural pan-

(Continued on page 39)







Major nonveneer structural panel producers

Company	Panelboard name	Number of mills	Productive capacity* (mil. sq. ft.)
Louisiana-Pacific	Waferboard	10	1,000
Georgia-Pacific	Blue Ribbon OSB	4	750
Weyerhaeuser	Structurewood	3	600
MacMillian Bloedel Ltd.	Aspenite	2	400
Potlatch Corp.	Oxboard	2	345
Blandinwood Products	Blandex	1	275
U.S. Plywood	Weldboard	**	250

*3/8-in. basis
**Distributes production of independent mills

Nonveneer structural panel production will grow 69% within the next five years to account for 16% of total production. At the same time, 13 of the 18 panel mills to be built will be nonveneer. Some fear that if the manufacturer's marketing strategies fail, the oversupply problem in the industry will worsen. Shown above is the production line at Georgia-Pacific's new Oriented Strand Board plant in Skippers, Va.

Photo above courtesy of Georgia-Pacific
Opening page photo: Louisiana-Pacific waferboard plant in Houlton, Me.

Home centers face uphill battle for DIY nonveneer panel sales

It made no difference to Bill Lott that the 4x8 panel of plywood he purchased at a Rickel Home Center in Watchung, N.J., was priced $3 more than a panel of waferboard.

The coffee and tea salesman said he bought the plywood to lengthen his dining room table in order to seat more family members for Christmas dinner and the appearance of the board was a prime consideration.

"That other stuff [waferboard] just looks too bad and the surface is too rough," said Lott, who, despite emphasizing looks and smoothness, revealed that the plywood was going to be covered by a mat and a tablecloth, and not seen or felt by anyone, anyway.

Lott's dislike of the appearance of nonveneer panels is representative of a reaction home improvement retailers report being well acquainted with, but it is also one, the retailers say, that has yet to be appreciated by their forest products suppliers.

Indeed, retailers are beginning to complain that the grand pronouncements by many forest products producers to make more nonveneer panels—oriented strand board (OSB) and waferboard—in the ensuing years lacks an accompanying promotional or marketing program to assist retailers.

While retailers whose sales volume is more dependent on the contractor report that their experience with nonveneer panels is not as disappointing as their DIY counterparts, it is shoppers like Lott that bother retailers such as Ed Linehan, lumber buyer for Somerville Lumber, Somerville, Mass.

"The manufacturers have not done their job to educate the public about these products," Linehan said. "At least 75% of our volume is with the DIY market and they don't even know what these products are. I think waferboard and OSB have a few years to go yet before people will know what it does."

(Continued on page 54)

Bill Lott, at Rickel Home Center, Watchung, N.J., holds a sheet of plywood he purchased rather than waferboard. He is among many DIYers who retailers claim need to be educated about waferboard use. NHCN photo

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cover story

Readjustments made in structural panel market

(Continued from page 20)

el market of 23.7 billion sq. ft., will be nonveneer.

When it comes to comparing performance abilities among the three panel products, the APA is generally applauded for developing a measuring stick—span ratings—that gives the professional builder an immediate grasp of panel capabilities.

Smith, the Salomon Brothers analyst, said that based on his survey of major forest products producers manufacturing expenses, it cost the average plywood mill about $65 per thousand square feet to make its product. Waferboard makers (including the orienters) paid about $48 per thousand square feet compared to OSB, whose operations were about $57 per thousand square feet.

The tilt toward waferboard production resulted from those plants being located in areas that do not compete with plywood mills for trees and having lower capital cost than OSB plants since waferboard mills are usually smaller, Smith said.

Spectre of raw material shortage, panel oversupply

If there were any dark clouds looming over the horizon for nonveneer panel manufacturers, Smith suggested it would be the possibility of a timber shortage as both pulp/paper makers and nonveneer producers compete for the same sort of timber.

The rush to put more nonveneer panels on the market has even forced small wood products producers to make the appropriate retooling adjustments to remain competitive.

Brian Vergin, president of Blandin Wood Products in Blandin, Minn., whose company will install orienting and waferizing machinery in its production line in May, cited similar reasons as L-P's Rooney to explain why a smaller forest producer converted from waferboard to OSB. Vergin said that his company's production of "Blandex" is approximately 275 million sq. ft. on a 3/8-in. basis.

"The market dictated what it wanted, but the evolution has not stopped," Vergin said.

"We're certainly going to see a different kind of product a few years from now as new markets are identified and manufacturers improve the technology."

But the new technology and more streamlined manufacturing costs that are fueling the industry's enthusiasm about nonveneer panels may exacerbate the oversupply problem currently haunting the industry.

The APA, for example, estimates that the structural panel industry has currently 6 billion sq. ft. of excess capacity.

Consequently, the marketing development and promotional campaigns various for-

(Continued on page 42)

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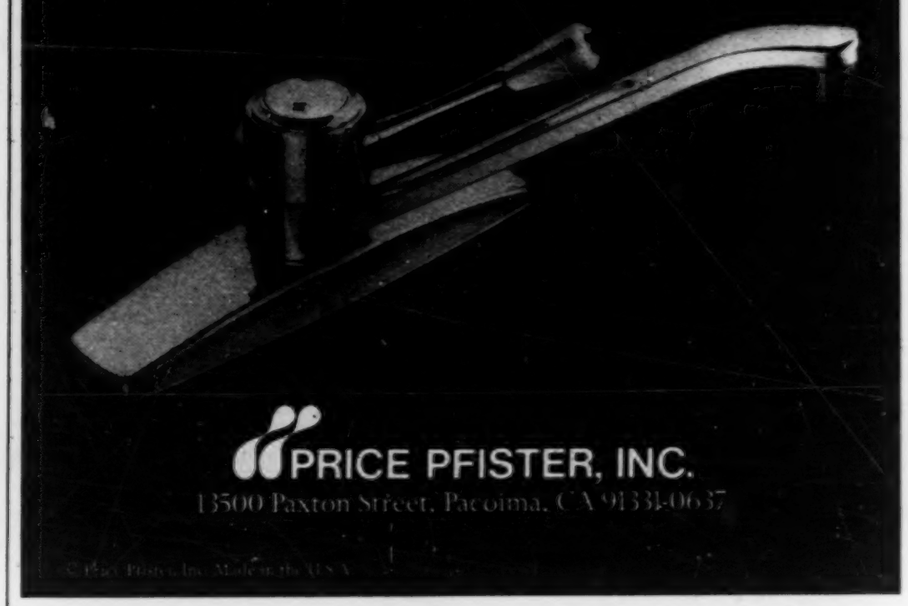

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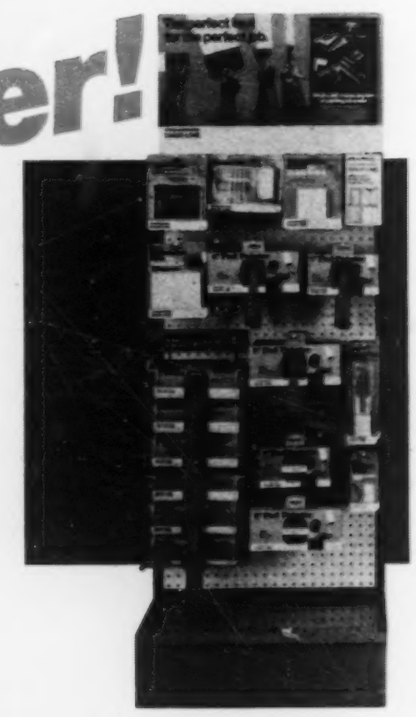

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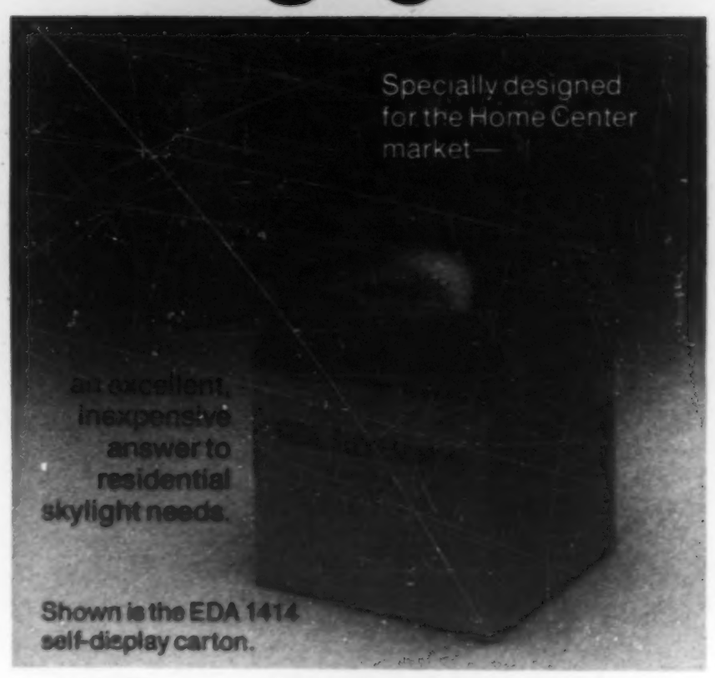
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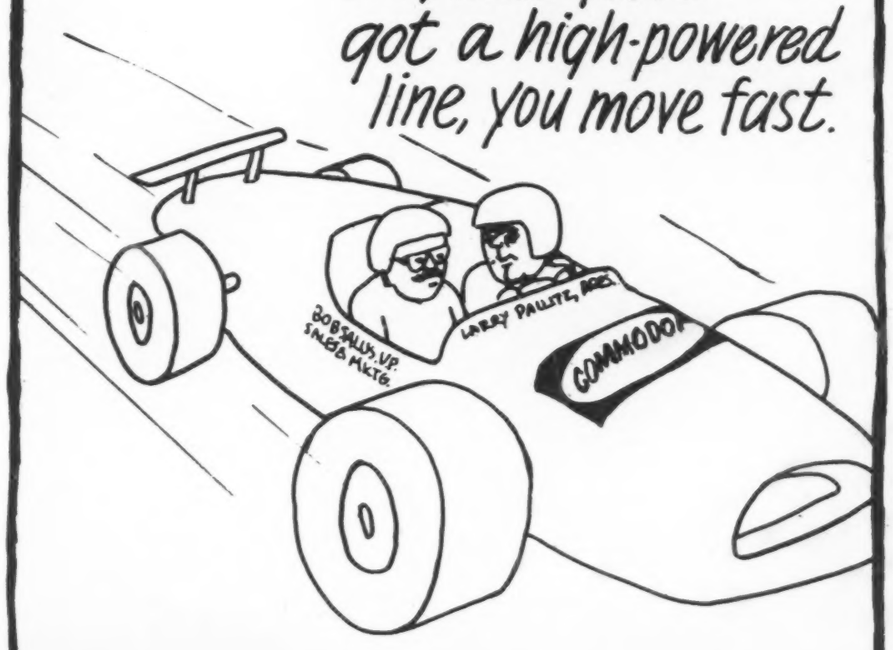

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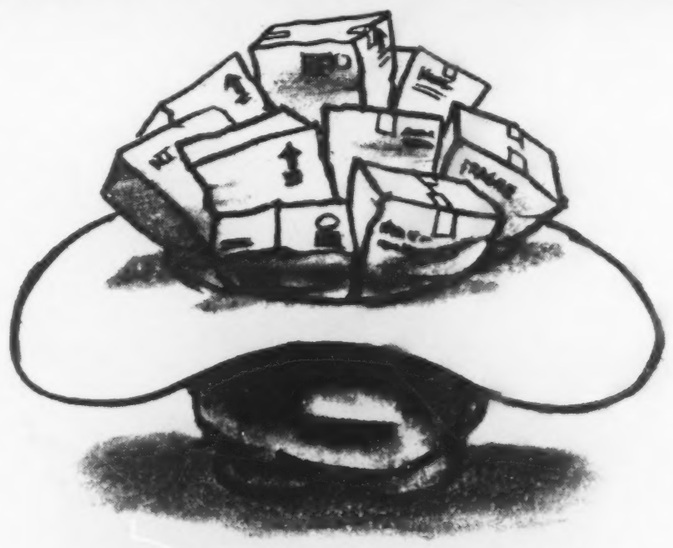

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cover story

Manufacturers reorient structural panel market

(Continued from page 40)

est products producers activate will be critical in the coming years. For unlike the enviable position plywood manufacturers enjoyed 25 to 30 years ago when their product supplanted planking with the clear advantage of convenience and time efficiency, nonveneer panel makers are confronted with a tough sell in some areas.

To Lanny Osterhage, group vice president with Weyerhaeuser, the third-largest nonveneer producer in the country with an annual output of some 600 million sq. ft. of OSB, the marketing campaign it uses may mean avoiding competition with wood end-uses altogether.

Osterhage noted that with scores of plywood mills already shutdown throughout the industry, the survivors in the nonveneer category will be those who made an equal commitment to explore and open new markets.

One of Weyerhaeuser's strategies, Osterhage said, is to spend "several million" dollars a year to court industrial end-uses and contractors to push their "engineered strandboard" against plastics and cement. He said the company had recently formed a think-tank, comprised of top Weyerhaeuser executives and other professionals outside of the company, to blaze the firm's path into the new markets.

"There are a lot of companies out there that are making the same product," Osterhage said. "L-P, G-P, and Weyerhaeuser are making an excellent product, but we as a company have to do more than just become a replacement for plywood. We want to go where other companies aren't and that's just the whole crux of the question."

For at least three years, MacMillian Bloedel Ltd. was at the forefront of the marketing campaign in the U.S. The Canadian firm was the first to introduce the product to the U.S. and spent about $500,000 in market development before the overcapacity dilemma backfired and forced the company to abandon its promotion.

"The fact is that we are in a zero-sum game in the structural panel board market," complains Victor Worthy, vp of panelboards for M-B. "The market is saturated.

"When a new mill opens up, an old one has to shut down and what's more, waferboard did very, very little in the way of new markets. So its like a bunch of tough guys in a boxing ring: You knock each other out until the strongest guy is the only one that's standing, but that guy that's standing is going to have a lot of blood on him.

"It's not monopoly profit anymore. You've got to kill the other guy and they don't go down easily."

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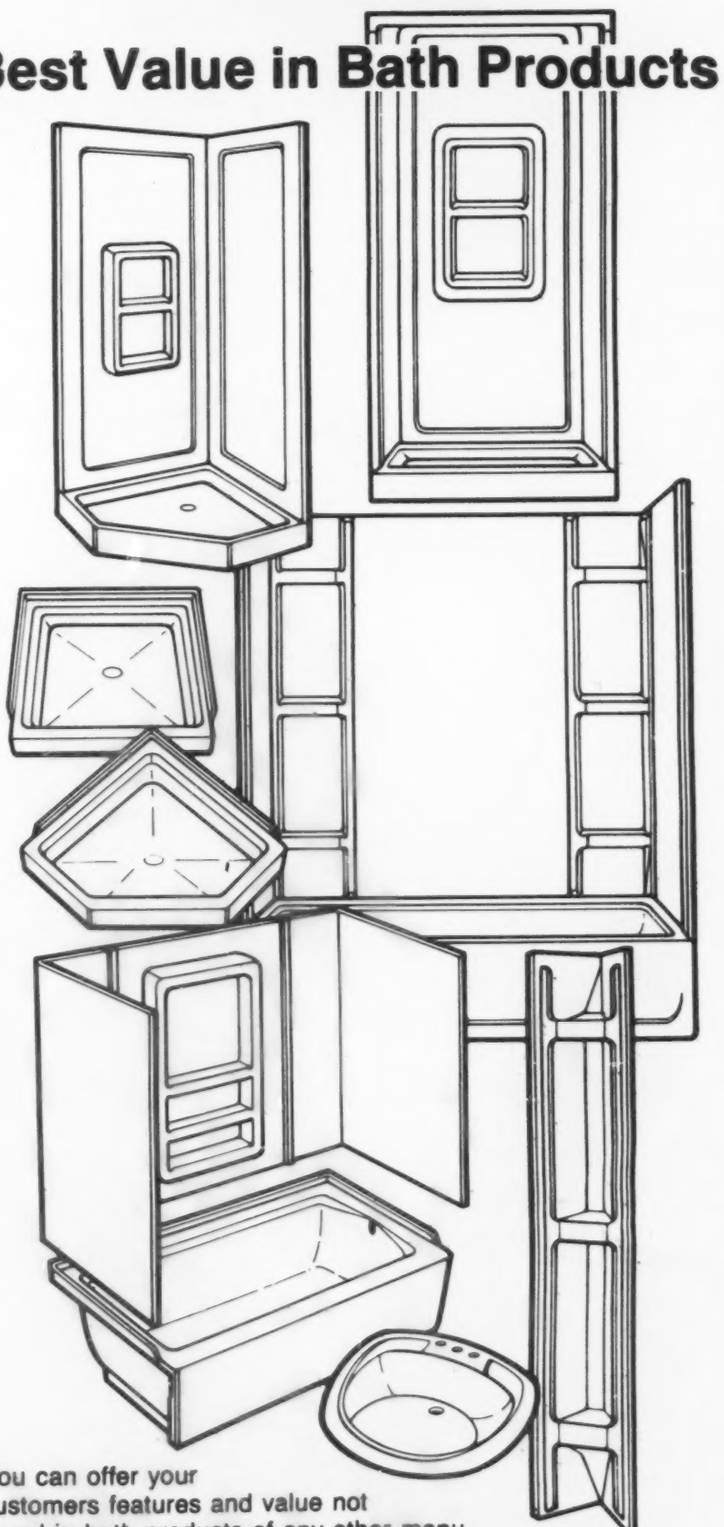

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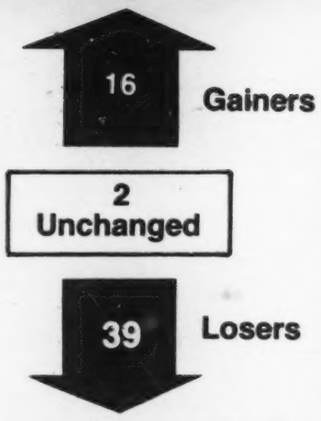

For the two-week period ended Jan. 10, home center stocks experienced considerable adjustment from their surge of the previous month.

While 16 of the stocks tracked for *NHCN* by Media General gained some ground for the two-week period, 39 declined in price, while two stayed even. The sharp reversal from the previous two-week period, during which 44 stocks tracked by *NHCN* enjoyed increases, came at a time when the Dow Jones Industrial average greeted the New Year with its own adjustment from a rapid escalation in the last quarter of 1985.

Homecrafters Warehouse gained 75%, to close at $2.63 on Jan. 10. After the company entered Chapter 11 in early December its stock sank on the market. The latest rebound comes at a time when the company has finally closed its warehouse units and is seeking more funding from its primary lender (see story, page 1).

Southwest Forest Industries gained 14.6% to close at $13.75. Other winners included W. R. Grace, which gained 8.4% after its announcement that it would sell its home center division, to close at $51.88. Lowe's Cos. gained 6.4% to close at $26.88, while Pay 'N Pak gained 6.1% to close at $13.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Svc Merchandise M	45,853	251.0	- 7.0
Lewis Palmer M	1,297	249.5	- 4.8
Mich General A	3,609	189.1	- 3.3
Grace W R N	35,418	172.4	8.4
Am Standard N	18,458	167.0	2.6
SW Forest Ind N	10,682	166.8	14.6
Wickes Cos A	75,679	161.3	.0
Color Tile M	7,166	153.9	1.9
MacMiln Bldel N	150	150.0	- 5.6
Supermkts Gen N	3,541	146.3	- 2.3
Sherwin-Wms N	3,973	137.0	- 1.7
Hechinger B M	1,448	127.7	- 8.0
Walter, Jim N	9,329	122.7	- .6
Thos Inds N	1,211	121.3	- 4.2
Natl Lumber M	598	116.3	- 2.7
Wolohan Lumber M	1,398	111.5	- 7.5
Hechinger A M	4,167	110.1	2.5
Natl Gypsum N	12,291	109.8	3.7
Georgia-Pacific N	35,689	109.7	- 4.7
USG Corp N	8,886	109.4	- 9.2

TOP GAINERS

Company & Market	2-Weeks Ended 1-10-86	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Homecrafters Whse M	2.63	75.0	3,355
SW Forest Ind N	13.75	14.6	10,682
Grace W R N	51.88	8.4	35,418
Lowe's Cos N	26.88	6.4	10,290
Pay N Pak N	13.00	6.1	3,534

TOP LOSERS

Company & Market	2-Weeks Ended 1-10-86	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Clopay Corp A	13.50	- 11.5	73
Pope & Talbot N	17.50	- 10.8	642
USG Corp N	45.50	- 9.2	8,886
Hechinger B M	20.25	- 8.0	1,448
Wolohan Lumber M	6.13	- 7.5	1,398

HOME CENTER INDUSTRY MARKET SUMMARY

National Home Center News®

Company and Market	Stock Market: Price: 2-Weeks Ended 1-10-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile M	20.50	.38	1.9	22.00	20.25	22.00	15.25	7,166	7.72	3.04	153.9	13.7	.00	.0	.....	3 mos.	09-85	95.0	25.8	3.3	17.9	.36	16.1	95.0	25.8	3.3	17.9	.36	16.1
Erb Lumber M	33.50	- .50	- 1.5	36.00	33.50	36.50	18.00	81	.91	.65	40.0	5.7	.00	.0	.....	9 mos.	09-85	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent A	25.25	- .38	- 1.5	26.13	25.00	26.13	19.63	87	.21	.29	- 27.6	46.8	.15	.6	.....	9 mos.	10-85	72.8	14.3	.0	- 100.0	.00	- 100.0	200.0	5.7	3.6	20.0	.45	12.5
Grace W R N	51.88	4.00	8.4	52.25	46.75	52.25	35.50	35,418	7.30	2.68	172.4	16.3	2.60	5.4	.....	9 mos.	09-85	1758.1	6.0	25.3	- 23.6	.41	- 39.7	5246.9	7.1	102.2	- 25.1	1.96	- 30.0
Handyman A	27.00	.38	1.4	27.50	26.63	29.63	21.75	127	.50	.61	- 18.0	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A M	20.50	.50	2.5	21.00	20.25	23.19	16.00	4,167	4.77	2.27	110.1	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	20.25	- 1.75	- 8.0	22.00	20.25	24.19	16.00	1,448	1.07	.47	127.7	20.9	.08	.4	.....	9 mos.	10-85	118.3	17.8	5.5	17.0	.23	9.5	362.2	19.7	16.5	11.5	.70	7.7
Homecrafters Whse M	2.63	1.13	75.0	2.75	1.63	10.00	1.00	3,355	11.86	7.14	66.1	NE	.00	.0	NEW	9 mos.	10-85	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot N	12.13	- .75	- 5.8	12.88	12.00	20.38	10.50	4,406	1.76	1.50	17.3	33.7	.00	.0	.....	9 mos.	10-85	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc N	69.88	- .25	- .4	72.25	69.63	73.63	60.75	3,258	2.30	1.77	29.9	13.6	3.08	4.4	NEW	9 mos.	11-85	694.7	- .6	27.0	- 4.6	1.71	216.7	1927.7	- 5.7	61.4	- 15.0	3.89	21.9
K mart Cp N	34.50	- .75	- 2.1	35.63	34.00	41.50	30.63	29,861	2.38	1.57	51.6	10.7	1.40	4.1	.....	9 mos.	10-85	5223.2	4.6	77.4	- 16.2	.60	- 15.5	15667.8	10.2	210.7	- 28.5	1.64	- 27.8
Lowe's Cos N	26.88	1.63	6.4	27.00	25.13	31.13	20.75	10,290	2.84	1.45	95.9	4.4	.36	1.3	.....	9 mos.	10-85	3833.0	756.2	441.1	2406.3	4.90	900.0	4880.9	271.8	473.9	831.0	5.81	312.1
Mich General A	3.63	- .13	- 3.3	4.00	3.38	8.13	3.25	3,609	3.18	1.10	189.1	NE	.00	.0	.....	9 mos.	09-85	128.3	3.6	(7.9)	- 100.0	(.69)	- 100.0	335.4	- 2.6	(23.2)	- 100.0	(2.05)	- 100.0
Natl Lumber M	4.50	- .13	- 2.7	5.00	4.50	7.50	4.50	598	1.06	.49	116.3	22.5	.00	.0	.....	9 mos.	10-85	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak N	13.00	.75	6.1	14.13	12.13	15.25	11.50	3,534	3.53	1.71	106.4	16.0	.64	4.9	.....	9 mos.	11-85	86.1	5.6	1.8	- 33.3	.18	- 33.3	259.2	6.4	6.9	- 22.5	.69	- 22.5
Payless Cash N	14.75	- .75	- 4.8	16.00	14.50	23.38	13.50	11,213	3.06	1.74	75.9	13.5	.16	1.1	.....	9 mos.	08-85	379.4	13.4	12.4	- 3.9	.36	- 10.0	1010.0	19.7	27.0	- 2.5	.80	- 7.0
Scotty's Inc N	14.88	.00	.0	15.63	14.75	16.38	12.38	2,045	1.43	.78	83.3	12.1	.52	3.5	.....	3 mos.	09-85	110.3	8.5	2.8	- 17.6	.20	- 23.1	110.3	8.5	2.8	- 17.6	.20	- 23.1
Sears, Roebuck N	37.00	- 1.63	- 4.2	39.50	35.88	41.13	31.63	80,327	2.21	1.21	82.6	10.4	1.76	4.8	.....	9 mos.	09-85	10047.1	3.7	262.2	- 18.5	.71	- 19.3	28647.1	3.4	751.0	- 15.8	2.03	- 17.8
Svc Merchandise M	11.63	- .88	- 7.0	12.63	11.38	16.13	11.38	45,853	13.76	3.92	251.0	19.7	.08	.7	.....	9 mos.	09-85	528.3	69.7	(15.1)	- 100.0	(.45)	- 100.0	1421.0	53.3	(18.4)	- 100.0	(.55)	- 100.0
Std Brd Pnt N	20.63	.25	1.2	21.25	19.75	23.88	18.75	2,041	1.80	1.65	9.1	12.4	.56	2.7	.....	9 mos.	10-85	90.0	10.4	4.0	- 24.5	.35	- 27.1	266.4	9.1	14.2	- 12.9	1.26	- 14.3
Supermkts Gen N	47.50	- 1.13	- 2.3	52.00	47.50	52.00	33.50	3,541	1.97	.80	146.3	13.2	.48	1.0	.....	9 mos.	10-85	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	38.2
Wickes Cos A	4.75	.00	.0	5.00	4.63	5.63	3.13	75,679	7.89	3.02	161.3	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber M	6.13	- .50	- 7.5	6.63	6.13	7.25	5.25	1,398	2.39	1.13	111.5	11.8	.16	2.6	.....	9 mos.	09-85	46.8	12.5	1.2	9.1	.20	5.3	113.3	10.0	2.2	22.2	.38	22.6
Zayre Corp N	59.00	- 1.75	- 2.9	61.75	58.00	66.13	35.72	6,314	2.35	1.29	82.2	17.5	.48	.8	.....	9 mos.	10-85	942.0	21.3	27.6	22.1	1.02	21.4	2537.0	20.6	56.7	24.3	2.09	22.9
Wholesalers																													
Lewis Palmer M	7.50	- .38	- 4.8	7.88	7.38	9.38	6.38	1,297	3.32	.95	249.5	57.7	.27b	3.6	.....	9 mos.	10-85	39.9	- 9.9	.6	.0	.16	6.7	110.4	- 2.9	.8	- 42.9	.22	- 43.6
Manufacturers																													
Allegheny Int N	19.00	- 1.13	- 5.6	20.13	18.75	28.75	17.00	3,676	3.42	3.53	- 3.1	NE	1.40	7.4	.....	9 mos.	09-85	511.5	- .9	(71.4)	- 100.0	(7.35)	- 100.0	1519.2	- 1.0	(56.3)	- 100.0	(7.47)	- 100.0
Am Standard N	38.88	1.00	2.6	40.13	37.75	40.13	26.75	18,458	4.70	1.76	167.0	13.1	1.60	4.1	.....	9 mos.	09-85	830.9	.3	28.2	- 3.1	.71	- 5.3	2498.2	6.2	85.8	2.0	2.18	- 4.8
Armstrng Wrld N	41.38	- 2.63	- 6.0	45.75	41.00	45.75	30.38	3,794	1.58	1.42	11.3	10.2	1.30	3.1	.....	9 mos.	09-85	446.7	13.1	28.1	23.2	1.17	23.2	1253.2	5.6	78.3	6.7	3.26	8.7
Black & Decker N	20.25	- 1.13	- 5.3	21.63	20.13	26.88	17.25	18,471	3.64	2.33	56.2	22.0	.64	3.2	NEW	fiscal	09-85	454.3	- 5.9	10.2	- 58.4	.20	- 58.3	1732.3	13.0	46.9	- 50.8	.92	- 52.8
Boise Cascade N	46.00	- .50	- 1.1	47.88	45.75	51.00	37.25	4,266	1.57	1.77	- 11.3	25.1	1.90	4.1	.....	9 mos.	09-85	934.2	- 3.0	20.3	- 37.9	.65	- 42.5	2844.5	- 2.2	85.3	- 9.4	2.84	- 12.3
Certain-teed N	25.75	- 1.00	- 3.7	27.63	25.63	28.50	21.25	1,579	.83	.57	45.6	8.9	.70	2.7	.....	9 mos.	09-85	304.1	- 7.0	18.3	408.3	.93	447.1	848.0	- 7.4	43.0	45.3	2.18	48.3
Champ Intl N	24.63	.25	1.0	25.75	24.13	26.75	20.00	27,570	2.97	1.63	82.2	NE	.52	2.1	.....	9 mos.	09-85	1330.4	17.6	37.9	- 5.7	.37	- 43.9	4575.1	33.4	125.0	14.3	1.22	- 31.5
Clopay Corp A	13.50	- 1.75	- 11.5	15.50	13.50	22.19	11.25	73	.48	.37	29.7	NE	.16	1.2	.....	9 mos.	09-85	38.5	6.6	(1.2)	- 100.0	(.78)	- 100.0	103.7	6.3	(1.7)	- 100.0	(1.10)	- 100.0
DeSoto Inc N	36.00	- .13	- .3	37.13	35.25	37.88	31.50	375	.79	.63	25.4	11.7	1.40	3.9	.....	9 mos.	09-85	109.2	- 4.5	4.1	- 31.7	.86	- 18.9	330.1	.3	11.3	- 29.4	2.37	- 16.8
Emhart Corp N	31.38	- 1.00	- 3.1	32.50	31.38	33.25	26.25	3,511	1.27	.69	84.1	11.5	1.40b	4.5	.....	9 mos.	09-85	421.2	.1	17.0	- 20.6	.61	- 28.2	1290.6	- 4.1	56.4	- 13.0	2.03	- 21.3
Georgia-Pacific N	25.25	- 1.25	- 4.7	26.88	25.00	27.38	20.50	35,689	3.46	1.65	109.7	30.8	.80	3.2	.....	9 mos.	09-85	1752.0	- .3	58.0	- 30.1	.52	- 29.7	5126.0	4.3	174.0	- 20.2	1.56	- 8.8
Insilco Corp N	20.00	- 1.00	- 4.8	21.25	19.50	21.38	16.63	4,055	2.06	1.58	30.4	12.5	1.00b	5.0	.....	9 mos.	09-85	209.1	1.0	5.9	- 35.2	.30	- 41.2	637.1	5.1	22.5	- 12.5	1.20	- 15.5
La Pacific N	21.63	- .75	- 3.4	23.13	21.25	24.75	17.63	4,569	1.29	.96	34.4	18.5	.80b	3.7	.....	9 mos.	09-85	332.3	6.3	11.3	63.8	.32	77.8	948.3	.2	18.7	- 11.8	.53	- 10.2
MacMiln Bldel N	16.75	- 1.00	- 5.6	17.88	16.75	21.34	12.47	150	.05	.02	150.0	25.4	.00a	.0	.....	9 mos.	09-85	597.1	- 1.0	12.1	61.3	.18	350.0	1733.7	11.9	22.5	NE	.10	NE
Manville Cp N	5.88	- .13	- 2.1	6.25	5.63	8.63	5.13	4,598	1.92	1.44	33.3	NE	.00	.0	.....	9 mos.	09-85	471.4	- 4.0	(98.6)	- 100.0	(4.37)	- 100.0	1405.4	3.5	(66.0)	- 100.0	(3.53)	- 100.0
Masco Corp N	40.88	.75	1.9	42.75	39.00	42.75	27.50	9,068	1.56	1.01	54.5	27.8	.64	1.6	.....	9 mos.	09-85	NC	NC	(48.6)	- 100.0	(.10)	NE	449.1	- 44.2	23.2	- 75.4	1.14	- 31.7
Mor-Flo Inds M	18.88	.13	.7	18.88	18.63	20.25	14.50	339	1.34	.90	48.9	8.9	.01	.1	.....	9 mos.	09-85	47.0	.9	.3	- 81.3	.11	- 82.5	153.0	3.9	3.7	- 22.9	1.45	- 24.5
Natl Gypsum N	45.38	1.63	3.7	46.63	43.38	47.25	25.09	12,291	5.37	2.56	109.8	8.7	1.52	3.3	.....	9 mos.	09-85	468.0	4.2	35.1	24.9	1.53	26.4	1277.4	- .8	96.6	18.4	4.16	18.9
Newell Co N	21.00	- .50	- 2.3	22.38	21.00	22.63	15.13	1,074	1.25	.78	60.3	10.8	.60	2.9	.....	9 mos.	09-85	92.2	36.4	5.4	74.2	.60	66.7	253.4	15.9	13.4	34.0	1.48	27.6
Owens Corning N	36.50	- 1.00	- 2.7	38.38	35.88	38.75	30.75	4,939	1.66	1.04	59.6	8.9	1.40	3.8	.....	9 mos.	09-85	870.5	8.0	38.9	11.8	1.31	11.0	2338.4	3.2	87.1	8.5	2.94	7.7
Ply-Gem A	17.75	- .38	- 2.1	19.75	17.50	19.75	12.63	1,462	3.40	1.88	80.9	16.0	.16	.9	.....	9 mos.	09-85	39.5	- 2.7	1.1	37.5	.25	31.6	123.0	- .2	3.1	- 3.1	.77	- 12.5
Pope & Talbot N	17.50	- 2.13	- 10.8	19.88	17.50	21.50	16.75	642	1.07	1.45	- 26.2	76.1	.80	4.6	.....	9 mos.	09-85	82.0	- .6	2.1	NE	.34	NE	250.3	3.8	6.1	48.8	1.01	46.4
Potlatch Cp N	36.25	- .88	- 2.4	38.13	36.00	43.63	31.13	1,650	1.07	3.36	- 68.2	14.4	1.56	4.3	.....	9 mos.	09-85	239.6	- 3.8	11.3	1.8	.65	1.6	722.9	- 4.6	33.3	- 15.9	1.93	- 13.1
Sherwin-Wms N	43.00	- .75	- 1.7	46.38	42.63	47.00	29.75	3,973	1.73	.73	137.0	13.6	.92	2.1	.....	9 mos.	09-85	578.8	4.8	29.1	15.0	1.26	13.5	1677.5	6.6	63.3	13.2	2.75	13.2
SW Forest Ind N	13.75	1.75	14.6	14.13	11.63	15.88	9.88	10,682	11.50	4.31	166.8	NE	.00	.0	.....	9 mos.	09-85	181.6	- 10.6	(2.8)	- 100.0	(.45)	- 100.0	530.9	- 9.6	(7.3)	- 100.0	(1.25)	- 100.0
Stanley Works N	31.75	- .38	- 1.2	32.63	30.75	33.75	26.50	3,050	1.10	.67	64.2	11.6	1.04	3.3	.....	9 mos.	09-85	297.1	.8	19.4	7.2	.70	7.7	885.9	3.9	52.6	5.2	1.92	7.3
Thos Inds N	19.75	- .88	- 4.2	21.13	19.25	21.13	14.41	1,211	1.35	.61	121.3	11.1	.65b	3.3	.....	9 mos.	09-85	79.1	- .5	4.9	14.0	.54	14.9	231.9	8.1	12.0	.0	1.34	.0
Triangle Pac N	35.50	1.00	2.9	37.63	34.50	37.63	26.00	620	1.64	.91	80.2	9.8	1.00	2.8	.....	9 mos.	09-85	69.0	- 3.5	4.7	9.3	1.24	21.6	198.2	- 4.5	11.6	8.4	2.90	12.0
USG Corp N	45.50	- 4.63	- 9.2	51.25	44.50	51.25	30.75	8,886	2.66	1.27	109.4	7.2	1.68	3.7	.....	9 mos.	09-85	657.4	3.7	65.7	38.3	1.96	36.1	1891.3	10.7	169.9	16.9	5.08	15.5
Walter, Jim N	42.75	- .25	- .6	44.50	42.25	44.50	31.00	9,329	4.41	1.98	122.7	8.4	1.40	3.3	.....	fiscal	08-85	627.9	11.2	38.4	13.9	1.75	12.9	2292.3	1.5	111.7	15.2	5.11	14.8
Waxman Ind M	12.50	.13	1.0	12.88	12.25	16.88	9.00	880	2.81	2.18	28.9	18.7	.08	.6	.....	3 mos.	09-85	21.5	4.9	.6	- 14.3	.18	- 55.0	21.5	4.9	.6	- 14.3	.18	- 55.0
Weyerhaeuser N	30.38	- .38	- 1.2	31.75	30.00	34.00	24.75	17,602	1.36	.95	43.2	28.9	1.30	4.3	.....	9 mos.	09-85	1291.8	- 51.6	38.6	- 33.8	.24	- 40.0	3967.6	- 4.2	136.5	- 31.3	.89	- 34.6

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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Building materials—pp. 24-41

National Home Center News®

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Ed Plemons, Moore's vp operations, said the chain's recent remerchandising moves are designed to tell the industry, "that we're still here, we're still alive, and we're not only set to go, but we're on the way." NHCN photos

Moore's begins revamp effort with Roanoke units

By Phillip M. Perry
NHCN staff editor

ROANOKE, Va. — Moore's has begun to re-merchandise and expand the sales floors of its three consumer-oriented home centers here in its headquarters city as the initial step in a larger effort to upgrade the majority of its 88 units.

The renovation of its Roanoke stores, slated to be capped with a grand re-opening campaign this spring, is expected to result in an increase of showroom space of over 60% for the chain's presence in Roanoke. Two stores, one on the north side of town and the other in the suburb of Salem, Va., will be expanded from 16,000 sq. ft. to 27,000 sq. ft. A third store with an 11,000-sq.-ft. showroom, located on the southwest side of Roanoke, is

(Continued on page 62)

NEWSBREAKS

STANLEY BUYS BOSTITCH. Stanley Works, New Britain, Conn., has agreed to purchase the Bostitch division of Textron Inc. for $193 million in cash and working capital. Bostitch, which makes professional quality fasteners and fastening tools, will operate as a separate division under Stanley, although its products could be sold with Stanley's hardware and tools.

Evans files plan with court: creditors get $186M cash

By John Caulfield
NHCN staff editor

MIAMI BEACH, Fla. — Evans Products Co. and the seven of its subsidiaries that filed for Chap. 11 on March 11, 1985, have filed a joint plan for reorganization with U.S. Bankruptcy Court here on Jan. 24 that called for a cash distribution of $186 million to its creditors, a new offering of securities, the sale of Lindsley Home Centers, and the dilution of common shareholders stake in the company to 40%.

In the release on the filing issued by the company, Evans officials acknowledged that the company's plan "conflicts in some ways with a proposed plan filed last month by unsecured creditors." In that plan, submitted Dec. 17, the creditors called for the cancellation of all preferred and common stock, along with the merging of Grossman's Inc. and Evans Products, the sale of Lindsley Home Centers and other assets, and the reinstatement of Mike Grossman as chairman of the reorganized firm (*NHCN*, Jan. 13). In addition, the creditors' plan offered virtually no cash distribution to either bank or trade creditors.

Evans officials, nonetheless, said that the company hopes "to reach a 'consensual resolution'" with its 22 bank lenders (which are owed $513 million) and its trade creditors, owed anywhere from

(Continued on page 61)

Dallas home builders meeting marked by optimism for 1986

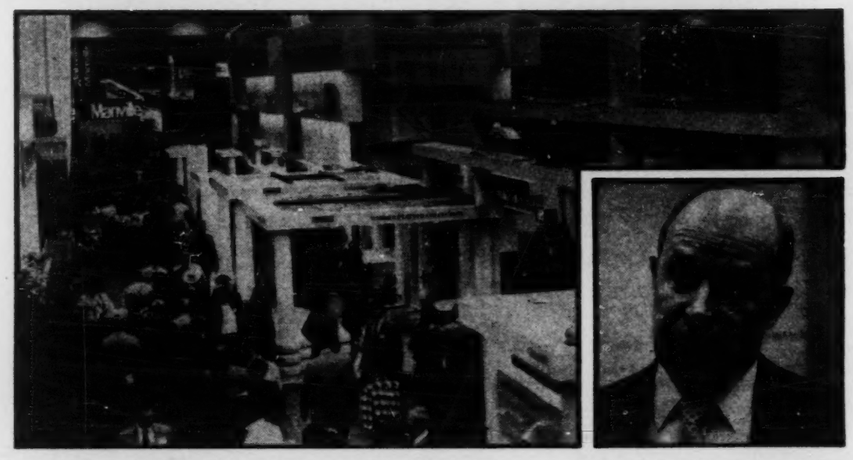
Two out of three polled predict increased starts

By Laura Liebeck
NHCN staff editor

DALLAS — The gates to Dallas opened wide last month as more than 55,000 home builders met here for the 42nd annual convention sponsored by the National Association of Home Builders (NAHB), making it the largest meeting ever for the trade group and the largest this city has ever hosted.

Enthusiasm about going to Dallas for the convention, a healthy national economy and low interest rates contributed to builder excitement before the show, one NAHB official commented. However, economists' projections that 1986 will be another strong year for housing, following the third consecutive year of 1.7 million

(Continued on page 62)



Commenting at last months' NAHB meeting in Dallas, newly elected president David Smith said one of his goals was uniform building codes for all states to "get politics out of the codes and get back to the business of serving the consumer." NHCN photos

Impending Senate vote on Conrail sale sparks debate among lumbermen

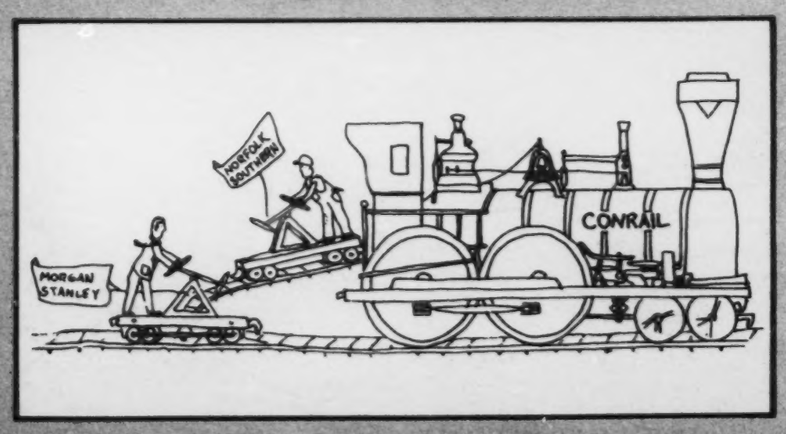
By Milford Prewitt
NHCN staff editor

WASHINGTON — The Senate's impending vote to sell the Consolidated Rail Corp. (Conrail) could have major implications for lumber shippers in the Northeast, some wholesale distributors warn.

At issue is whether lumber rail rates and routes would be significantly changed if Conrail is purchased by Norfolk Southern or the aggressive investment bank, Morgan Stanley and Co.

Both Norfolk Southern and Morgan Stanley are the

(Continued on page 61)



Some wholesale lumber distributors feel that if Conrail falls into the "wrong hands" marginally used routes and competitive freight rates could be adversely affected. Morgan Stanley and Norfolk Southern are in a tight race to assume control of the federally-owned system.

Latest moves at Mr. HOW increase speculation on sale of warehouse chain

By Donald Longo
NHCN staff editor

NASHVILLE — Mr. HOW Warehouse, the three-year-old, 29-store, Margate, Fla., chain, last month cancelled orders from vendors and postponed a January inventory, setting off a new round of speculation that its parent, Service Merchandise Corp., was close to selling its struggling home center subsidiary.

Service's chairman and president, Raymond Zimmerman, said that orders were held up due to a "slight overstocked position" at Mr. HOW stores, not because of a pending sale.

Furthermore, he told *NHCN* that the Mr. HOW inventory had been postponed to Feb. 3 in order for the company to devote the necessary attention to counting inventory at the 80 H. J. Wilson catalog showrooms that Service purchased during the first quarter of last year.

Zimmerman would not comment on the possibility of selling Mr. HOW, which Service acquired in 1983 when the home center company consist-

(Continued on page 62)

NHCNews Briefs

Industry Update

More Grace assets may go

NEW YORK — While executives at W.R. Grace home center chains continue efforts to arrange leveraged buyout deals, the $6 billion conglomerate revealed that it is considering selling off various other assets in order to help pay off its recent purchase of 13.6 million shares of its own stock from the Flick Group of West Germany.

Grace's 660-unit specialty store and home center retail group was put on the block Dec. 10, after the company announced that it needed the cash to offset the $595.5 million spent for the stock buyback.

A prospectus issued in conjunction with an offering of 2.5 million shares also indicated that the company is examining anti-takeover measures "designed to prevent or delay changes in the control" of the company.

A Grace spokesman would not comment on a published report speculating that Grace's chemical companies are currently appealing takeover targets.

Builders Sq. opens 3 in K.C.

SAN ANTONIO — Builders Square, the 30-unit, Texas-based warehouse home center subsidiary of K mart Corp., will open three stores in the greater Kansas City metropolitan area by late this summer, according to Frank Denny, the chain's chairman and founder.

The build-to-suit units will be the first warehouse-style home centers to invade the headquarters city of both Payless Cashways, which operates 10 stores in the metro area, and Sutherland Lumber, which has five home centers in Kansas City. The new Builders Square stores will follow the company's standard 80,000 to 100,000-sq.-ft. prototype, said Denny.

Kansas City, with over 550,000 households, is among the last major U.S. markets to attract a warehouse store.

Pay'n Save now Seattle Standard

SEATTLE — The parent company of Ernst Home Centers—Pay 'n Save Corp.—has changed its name to Seattle Standard Corp.

According to a company statement, the name change reflects the recent restructuring of the company. Late last year, Pay 'n Save Corp. spun off its 109-unit Pay 'n Save divison into a separate joint venture with the Zimmerman Family Interests. That venture is known as Pay 'n Save Stores Inc.

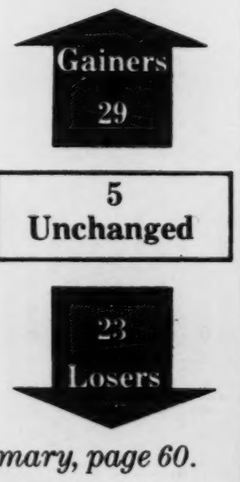
Still under the company's direction is 73-unit Ernst, three Yardbirds apparel stores and the Northwestern Drug Co., a drug wholesaler.

"The name change reflects the reality that Pay 'n Save drug stores are no longer operated as a part of Pay 'n Save Corp., although Seattle Standard still owns half of the joint venture," said Eddie Trump of The Trump Group, the controlling shareholder of the Seattle Standard Corp.

Home Center stocks strengthen

NEW YORK — Home center stock gainers outnumbered losers, 29 to 23, in the two weeks ended Jan. 24, bouncing back somewhat from the previous period when the number of declining issues doubled the number of winners. Five home center industry issues were unchanged.

The top retail gainers on *NHCN's* Home Center Industry Market Summary were Payless Cashways (which recently reported modest year-end sales and earnings gains, *see story page 5)*, Supermarkets General (parent of Rickel Home Centers), and National Lumber.



See Home Center Industry Market Summary, page 60.

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Vol. 12, No. 4 February 10, 1986

Herron resigns as Payless' exec. vp; decision a 'surprise,' position open

KANSAS CITY — John P. Herron, the former T. G. & Y. president who joined Payless Cashways less than a year and a half ago to enhance operational disciplines at the rapidly expanding building materials retailer, resigned his position as executive vice president, effective Jan. 31.

The surprise announcement was made Jan. 17, the same day that most of Payless' regional executives heard the news.

A statement from Payless' headquarters here indicated that Herron left "to pursue other interests." Efforts by *NHCN* to reach him at either Payless or his home were unsuccessful. He was reported to be away on vacation.

In a telephone conversation with *NHCN*, Payless' chairman and president David Stanley said that he perceived Herron as being somewhat frustrated but did not realize the extent of that frustration until just hours prior to Herron's resignation.

"John's decision to resign was sudden. I was not expecting that," said Stanley.

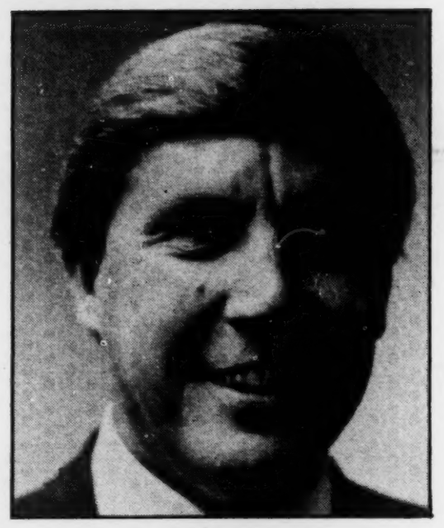
Stanley said in a prepared statement that, "John has made valuable contributions to this company in his term with us and will continue in a consulting capacity."

No decision has been made yet in selecting a replacement for Herron and a company representative said no breakdown in operations is expected due to his resignation.

Prior to Herron's arrival, Payless' operational responsibilities were handled by Harlon Seats, who left the company seven months after Herron's appointment and is now president of Dallas-based Diamond Lumber.

Stanley hired Herron on Oct. 1, 1984, to fill a newly created executive vp post at the then-148-unit home center chain. When Payless closed the books on its 1985 fiscal year on Nov. 30, the company had 169 stores generating $1.4 billion in sales, an 18.3% increase over the previous year. However, earnings were up a meager 2.6% and comparable-store sales rose just 3.3% when adjusting the 53-week 1985 fiscal year for comparison to the 52-week '84 period.

Herron was brought on board shortly after Payless acquired three-unit Somerville Lumber in Massachusetts. At the time, the company was still attempting to absorb the addition of 14 Prime Home Improvement stores in the Southwest, as well as the Lumberjack Stores chain, acquired the previous year.



John Herron

The responsibility for implementing systems to tighten corporate control of this expanding store base was given to Herron, who racked up 25 years of retail experience at J. C. Penney and as president of T. G. & Y. Stores.

By late January, Payless had sold four units in Iowa and Minnesota, bringing the chain's store count to 165.

Investors buy Hinckley for $7 million

By Elizabeth Brent
NHCN staff editor

HYANNIS, Mass. — On January 23, independent Hinckley Home Centers was sold for an estimated $7 million, to an investor group which included Frederick Whelden Jr., former vp-controller, and an Employee Stock Ownership Trust.

Fred Whelden is the new president and treasurer and under the terms of the purchase agreement, Frank and John Hinckley, former owners, will remain as non-competing consultants, engaged for the next ten years.

"The employees will probably own the stock in less than ten years," said Don Chase, vp, commercial loan officer at Cape Cod Bank & Trust, the main bank involved.

Hinckley Home Centers generated total sales of $23 million from its three units in Hyannis, Harwich and Dennis in 1985, according to Whelden.

Whelden hopes to build a larger sales base and plans to acquire a unit in Plymouth County, on the Massachusetts mainland where there is strong new home building activity. He will retain the name of the family company, established in 1872.

Highlights in this issue

Perspectives — cover story

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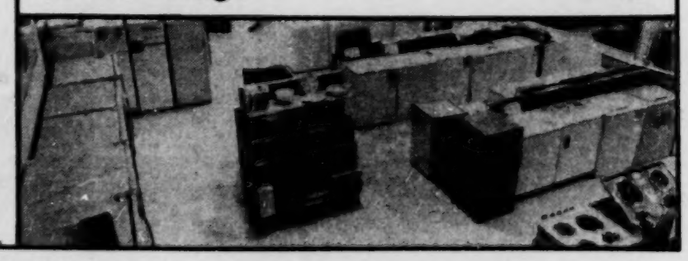
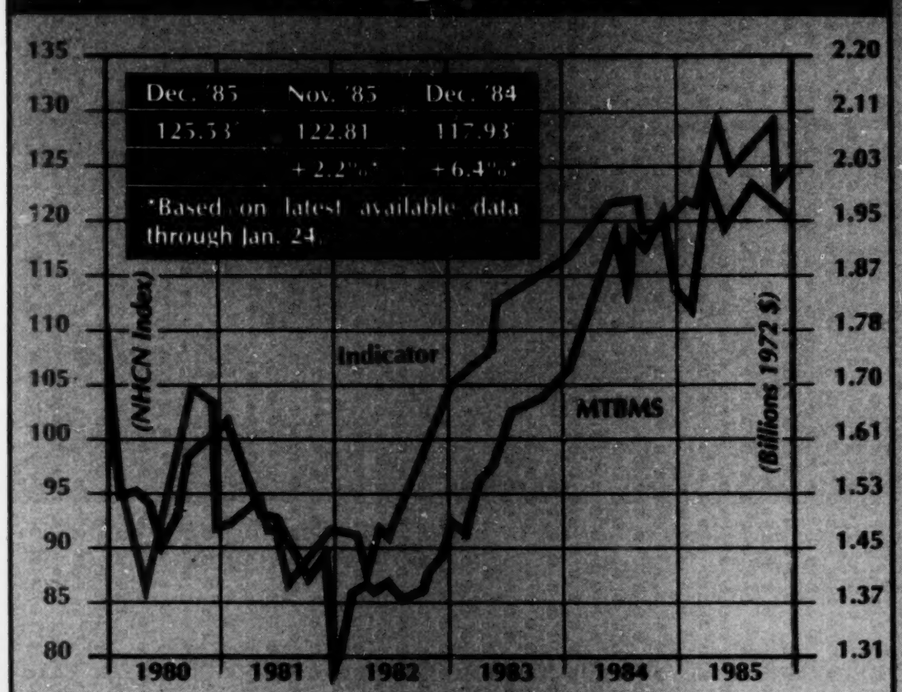


BUSINESS WATCH

National Home Centers News Leading Indicator



MTBMS—Monthly retail trade building materials and supplies in 1972$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

States with strong service and finance employment to post largest 1986 gains

By Richard E. Mount
Special to NHCN

Dealers in the Northeast, as well as in markets anchored heavily by service industry businesses, will be this year's major gainers in real growth of retail building material sales, according to latest available data.

While real retail sales of building materials and supplies are forecast to grow 6% in 1986 nationally, regional and state economies will play a significant role in supporting building material dealer sales. The strongest gains will develop in areas that have a concentration in finance and service employment and where resale activity surged in 1985. New England is the best example.

Richard E. Mount

Energy, mining, and agricultural areas will be weakest. Here, economies remain soft and prospects for a strong recovery in 1986 are dim. Many mountain, west south central and west north central states (except Missouri, which has a large manufacturing sector) will be below the national average.

In regions based on manufacturing or with diversified economies, gains will be moderate. The declining dollar, an expanding national economy and increased capital goods output will raise demand for building material supplies.

But in many such areas, resales did not recover well during 1985, which will limit demand in the first half of the year. East north central and western states fall into this group. Florida may be considered a strong/moderate hybrid.

Focus on Florida

Florida is a large and growing market for building material sales. Based on Florida's sales of all durable goods, retail building material and supply store sales were approximately $3.6 billion in 1985.

This figure equals that for the east north central region, and is larger than figures for New England, east south central, or mountain states. For 1986, Florida sales should rise about 7% in real volume, slightly faster than the national average. The economy of the state is on mostly firm ground. Building material sales will be restrained, however, by only modest resale gains in 1985.

Florida's economy was good in 1985. The number of employees on nonagricultural payrolls rose 126,000, or 2.4%. Large increases occurred in finance, trade, and service employment. But there were some negative points about Florida last year. The mining industry of south central Florida was weak, as demand for fertilizer was still down nationally. The manufacturing sector posted a smaller gain than usual, as the microcomputer industry declined.

Tourism in southern Florida was pressured by the high value of the dollar and economic problems in Latin America. The Florida resale market is estimated to have increased only 4%, to 143,000 units. Possible changes to tax laws, particularly limitations on the deductibility of state and local taxes and interest payments on second homes, dampend demand. Florida's resale increase was below the national average of 12%.

But resales will rise 6% in Florida during 1986, outpacing the national average of 3%. The continuing national economic recovery will increase manufacturing and service employment. It now appears that any tax reform will main-

(Continued on page 5)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Outlook—Part Two

	Latest Available Data	1985 QI	1985 QII	1985 QIII	1985 QIV	1986 QI^P	1986 QII^P	1986 QIII^P	1986 QIV^P	1984	1985	1986
NHCN Leading Indicator (January 1980=100)	Dec.	120.2	124.3	125.1	123.4	127.5	127.7	127.8	127.9	117.8	123.25	127.725

Building Material Retail Sales

Current

$ Millions SAAR												
Total United States	Oct.	50,468	53,012	53,248	55,937	56,365	57,488	58,439	59,295	49,774	53,166	57,927
New England	Oct.	2,504	2,881	3,205	3,474	3,575	3,685	3,623	3,629	2,743	3,016	3,608
Middle Atlantic	Oct.	6,183	7,084	7,341	7,753	7,846	7,986	8,059	8,135	6,373	7,090	8,006
East North Central	Oct.	7,226	8,531	8,529	8,883	8,937	9,048	9,239	9,410	7,935	8,292	9,159
West North Central	Oct.	3,252	3,837	3,805	3,960	3,971	4,081	4,061	4,097	3,720	3,714	4,033
South Atlantic	Oct.	11,089	11,073	10,769	11,428	11,551	11,815	12,138	12,339	10,234	11,090	11,961
East South Central	Oct.	2,677	2,894	3,027	3,228	3,264	3,358	3,454	3,534	2,723	2,956	3,402
West South Central	Oct.	6,199	6,208	5,772	5,896	5,849	5,858	5,891	6,001	6,089	6,019	5,908
Mountain	Oct.	2,678	2,589	2,594	2,702	2,726	2,784	2,858	2,911	2,617	2,641	2,820
Pacific	Oct.	8,660	8,107	8,206	8,614	8,847	8,921	9,116	9,238	7,340	8,397	9,031

Constant

Millions $1972 SAAR												
Total United States	Oct.	23,284	23,484	23,690	24,640	24,670	24,739	24,985	25,180	22,623	23,525	24,886
New England	Oct.	1,186	1,276	1,426	1,538	1,559	1,557	1,549	1,536	1,247	1,334	1,550
Middle Atlantic	Oct.	2,738	3,138	3,266	3,415	3,422	3,440	3,448	3,444	2,896	3,137	3,440
East North Central	Oct.	3,191	3,779	3,795	3,913	3,898	3,907	3,958	3,983	3,606	3,669	3,935
West North Central	Oct.	1,436	1,700	1,693	1,745	1,732	1,728	1,736	1,734	1,691	1,643	1,733
South Atlantic	Oct.	4,896	4,905	4,791	5,034	5,038	5,102	5,189	5,223	4,652	4,907	5,138
East South Central	Oct.	1,182	1,282	1,347	1,422	1,423	1,450	1,477	1,496	1,238	1,308	1,462
West South Central	Oct.	2,737	2,750	2,568	2,597	2,551	2,543	2,518	2,540	2,769	2,663	2,538
Mountain	Oct.	1,182	1,147	1,154	1,190	1,189	1,202	1,222	1,232	1,189	1,168	1,211
Pacific	Oct.	3,824	3,591	3,651	3,795	3,858	3,852	3,898	3,911	3,336	3,715	3,809

Per Cent of U.S. Total

Current

Total United States (Constant)	Oct.	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
New England	Oct.	4.96	5.43	6.02	6.21	6.32	6.28	6.20	6.12	5.51	5.67	6.23
Middle Atlantic	Oct.	12.25	13.36	13.79	13.86	13.87	13.91	13.79	13.72	12.88	13.34	13.82
East North Central	Oct.	14.32	16.09	16.02	15.88	15.80	15.76	15.81	15.87	15.94	15.60	15.81
West North Central	Oct.	6.44	7.24	7.15	7.08	7.02	6.97	6.95	6.91	7.47	6.99	6.96
South Atlantic	Oct.	21.97	20.89	20.22	20.43	20.42	20.58	20.77	20.81	20.56	20.86	20.65
East South Central	Oct.	5.30	5.46	5.68	5.77	5.77	5.85	5.91	5.96	5.47	5.56	5.87
West South Central	Oct.	12.28	11.71	10.84	10.54	10.34	10.26	10.09	10.12	12.24	11.32	10.20
Mountain	Oct.	5.31	4.88	4.87	4.83	4.82	4.85	4.89	4.91	5.26	4.97	4.87
Pacific	Oct.	17.16	15.29	15.41	15.40	15.66	15.56	15.60	15.58	14.75	15.79	15.59

Industrial Production

Index (1977 = 100)

Brick	Dec.	86.6	87.5	91.3	88.0	91.2	92.3	92.0	91.3	88.1	88.6	91.8
Cement	Dec.	109.0	116.0	106.5	105.5	103.5	105.7	105.3	105.6	102.1	107.0	105.5
Gypsum Wallboard	Dec.	116.0	127.7	129.6	131.2	131.5	132.2	128.0	125.9	119.2	126.1	128.0
Hardwoods	Dec.	102.2	102.7	102.0	101.5	102.5	103.2	104.1	104.9	103.6	101.8	103.6
Lumber Products	Dec.	123.1	121.8	126.1	127.1	127.1	127.8	126.4	125.1	119.0	123.3	126.6
Paint	Dec.	102.5	105.8	105.2	97.2	103.2	104.5	105.6	106.7	102.6	100.5	105.0
Plywood	Dec.	135.7	137.1	140.6	144.2	143.6	143.7	143.1	141.2	128.5	139.5	142.9

Data: Department of Commerce, Bureau of Labor Statistics, National Association of Home Builders, Department of Housing and Urban Development, Jan. 24, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. Part I includes information on the General Economic Outlook, Residential Construction & Real Estate and Retail Trade Activity. Part II includes latest data on regional building material & supply store sales and industrial production. Two NHCN leading indicators runs every issue.

SAAR—Seasonally Adjusted Annual Rate
e—estimate
p—projection
NHCN chart
Source: Merrill Lynch Economics for NHCN

FINANCIAL NEWS

Payless sees modest '85 gains; earnings rise 2.6% to $37 mil.

KANSAS CITY — Payless Cashways reported modest sales and earnings growth for its fiscal year ended Nov. 30, 1985. Yearly earnings rose 2.6% to $37.1 million on sales of $1.4 billion, an 18.3% increase in revenues for the 53-week period. Comparable store sales, results from units open at least one full year, were up 5%.

The company also announced plans to open 12 new stores during the current fiscal year, including its first stores in Ft. Smith, Arkansas, and Pelham, New Hampshire. The anticipated closing of three existing units will result in a net gain of nine stores this year.

Payless' chairman David Stanley called the moderate sales increases "below expectations," but added that they were "understandable in light of an overall soft retail environment and a tough economic climate in a number of our markets."

For a better comparison with the previous year, on a 52-week basis, total sales would have risen 16.4% and comp-store sales would have grown by just 3.3%.

In addition, earnings per share decreased 2.7% to $1.12 from the previous year's $1.15; and average shares outstanding expanded over the fiscal year due to a common stock offering of 2.3 million shares last February.

Payless' fourth quarter earnings results were stronger than the year-end figures, due in part to a LIFO (last in-first out inventory accounting) credit which was 3¢ per share more than the comparable credit for the like quarter last year. There was virtually no LIFO charge in fiscal 1985, compared to a $2.2 million charge in the 1984 fiscal year.

Net income for the fourth quarter ended Nov. 30, was $11.1 million, a 17.1% gain. Earnings per share increased to 32¢ for the period, up 10.1% from the year-ago quarter. Sales in the 14-week period were up 14.5% to $378.9 million. Comp-store sales grew 5.4%. Total sales for the quarter on a 13-week basis would have increased 7.9% and comp-store sales would have declined by 1%.

While pleased with the company's performance in gross margin and inventory control, Stanley said he was disappointed with operating expense ratios. Operating cost increases came at a time of "virtually no inflation in the cost of the building materials we sell," said the Payless chairman, who added that the opening of 30 new stores over the past 15 months also contributed to the growth of operating expenses.

"For 1986, as our newer stores mature and we realize productivity improvements from all sectors of the company, we expect to have more favorable performance," said Stanley.

During its 1985 fiscal year, Payless opened 14 new retail facilities and acquired four Handy Dan stores from the W.R. Grace Retail Group, bringing the company's store count to 169 at the end of November 1985.

The newly constructed facilities were located mainly in existing markets.

Payless also opened stores in two new markets: Dayton, Ohio, (one), and Louisville (four).

In 1985, six stores were closed, and for 1986 the company announced plans to close additional stores in Tucson, Ariz. (two), and one each in Tempe, Ariz., and Denver. Last month, Payless sold five units in Iowa and Minnesota to United Building Centers, a division of Lanoga Corp.

For the coming fiscal year, Payless plans to open 12 new stores, going into several new markets. Plans include Payless' first outlets in the states of Arkansas and New Hampshire, as well as openings in Norman, Okla., Lincoln, Neb., Wichita Falls, Tex., Anderson, Ind., Lexington, Ky., and Providence, R.I.

The chain will also fill in existing markets with stores in Dallas, Cincinatti, Dayton and Austin. Payless also announced plans to place a store in southeast Denver as a replacement for a Hugh M. Woods Building Materials facility it plans to close. A completion date in late 1986 is expected.

Strong service and finance states to post largest gains

(Continued from page 4)

tain historic deductions for taxes and interest payments, so the demand for second homes can be expected to rise.

As capital goods output in north central states expands, more retirees will be able to sell their homes.

A number of cities within Florida will grow at a rate above average in 1986. In central Florida, Tampa will benefit from a resurgence in the communications industry. Orlando is diversifying into a modern corporate city. Daytona enjoys a rising light manufacturing sector. In northern Florida, Jacksonville will benefit from good gains in finance employment, and the panhandle area will benefit from the relocation of retirees. In southern Florida, Fort Lauderdale and West Palm Beach will expand, as the microcomputer industyry shakes off its 1985 doldrums.

The Miami area will undergo only a moderate expansion in 1986. The dollar is expected to decline another 10% this year, making this area more attractive for tourism from both Latin America and Canada. Miami's unemployment rate remains at 7%, well above the state average, which limits its expansion in the near term.

A surplus of housing units in the Miami area, and the resulting softness in additional housing demand, will limit sales of building materials. The Lakeland area will be the laggard in state growth. The unemployment rate there is 15% and its economic base, agricultural fertilizer, will continue to weaken as farm conditions slacken.

Overall, Florida will be a moderate-to-strong performer in building material and supply store sales in 1986.

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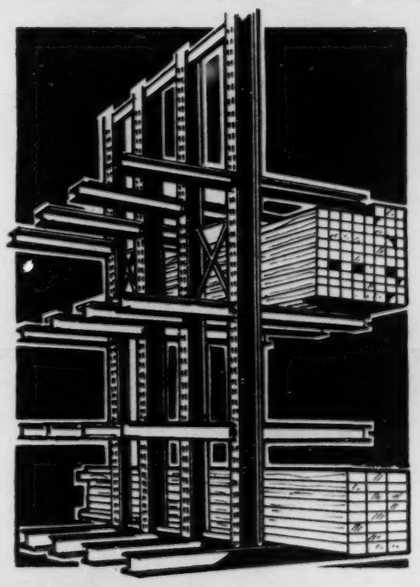

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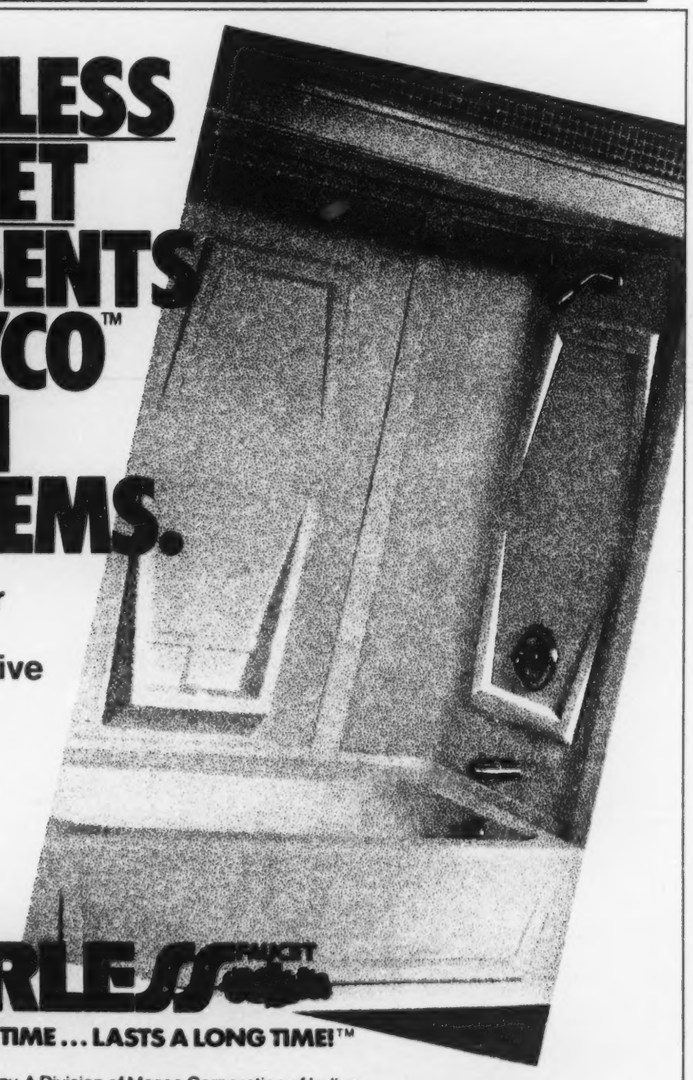

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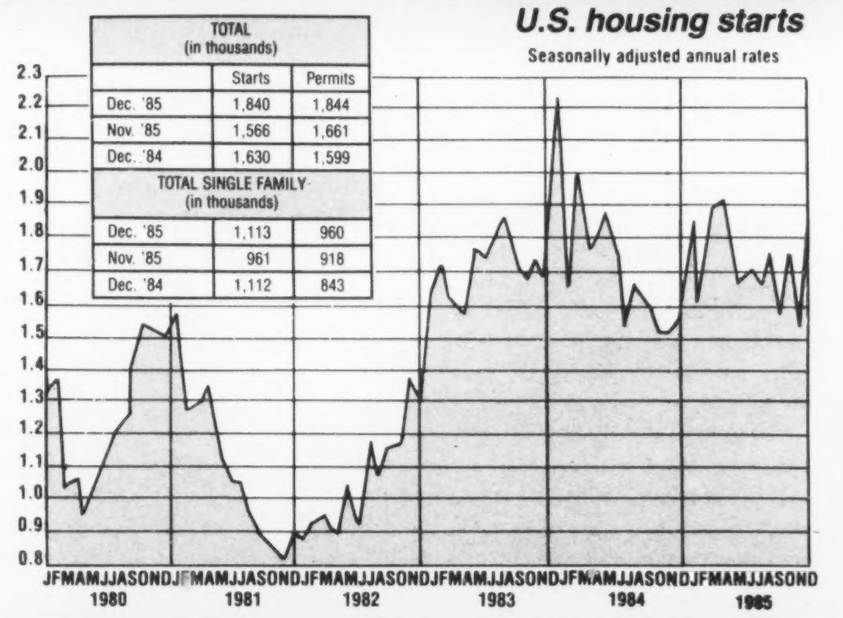
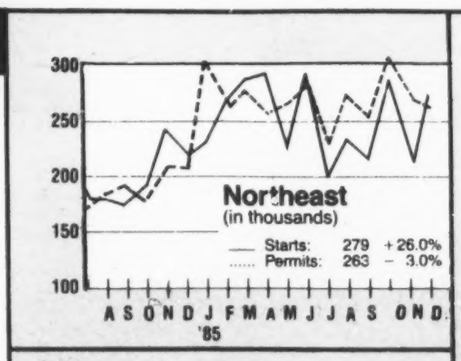
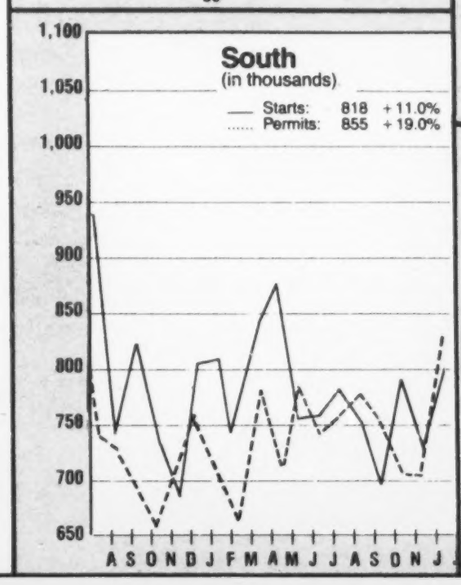
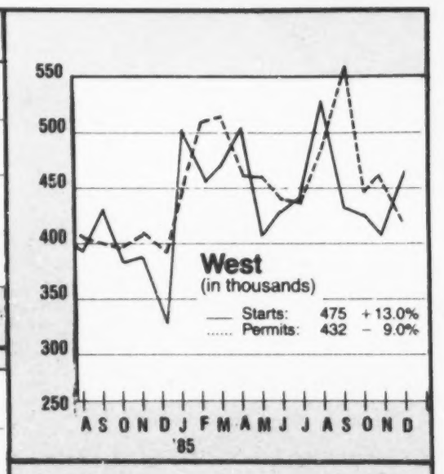
HOUSING WATCH

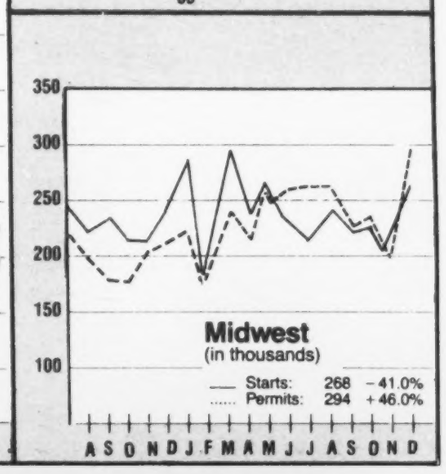

U.S. housing starts
Seasonally adjusted annual rates
TOTAL (in thousands)
Starts Permits
Dec. '85 1,840 1,844
Nov. '85 1,566 1,661
Dec. '84 1,630 1,599
TOTAL SINGLE FAMILY (in thousands)
Dec. '85 1,113 960
Nov. '85 961 918
Dec. '84 1,112 843
2.3 2.2 2.1 2.0 1.9 1.8 1.7 1.6 1.5 1.4 1.3 1.2 1.1 1.0 0.9 0.8
JFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASOND
1980 1981 1982 1983 1984 1985

With mortgage rates at a six-year low and the impending federal tax code changes prompting many builders to start spring projects early, housing starts jumped 17.5% in December helping 1985 to finish with l.73 million units started; just 1% below l984.









Housing starts jump 17.5% in December

NATIONAL REPORT - Housing starts jumped an unexpected 17.5% in December to a seasonally adjusted 1.84 million units, according to the U.S. Commerce Department.

Single-family starts also rose, by nearly 16% to 1.13 million units, seasonally adjusted. Total permit activity increased by 11% to 1.84 million units, and single-family permits edged up 5% to 960,000 units.

December's starts were 13% above the corresponding month a year ago and single-family starts were unchanged. Permit activity for the final month of l985 was l5% ahead of December l984 and single family housing permits were up by 14%.

For all of l985, housing starts were down 1% to 1.73 million units making it the third consecutive year that starts have been above the 1.7 million-unit mark. Single-family starts were also down by 1% last year, to nearly 1.1 million units.

Permit activity, however, was up by 3% to nearly 1.74 million units and single-family housing permits totaled 960,100 units last year.

Several of the nation's economists and officials of the National Association of Home Builders, who convened in Dallas last month for their annual convention, reported they were pleased with the country's housing activity and project l986 will record between 1.6 and 1.85 million starts.

The unusually high starts level for December, the economists noted, was mostly due to activity in the multi-family housing sector. These builders were probably trying to take advantage of 1985 tax structure in anticipation of the upcoming code revisions which could make it more expensive for them to build multi-family housing, the economists said.

Starts activity in December was led by the Midwest, which recorded a 41% increase in starts, to 268,00 units, seasonally adjusted, and a 46% increase in housing permits. Compared to December 1984, starts in the Midwest were up 18% and permits were up 32%.

Housing starts were also strong in the Northeast, which recorded a 26% increase, to 279,000 units, seasonally adjusted. It's permit activity, however, declined by 3% in December, to 263,000 units, seasonally adjusted. Starts in this region were up 14% from last December. Permits were up l2% over the corresponding month one year ago.

The South recorded an 11% rise in starts, to 818,000 units, .5% ahead of December l984. Permit activity in this region rose by 19%, to 855,000 units, which was 18% above a year ago.

Starts in the West rose 13% to 475,000 units, seasonally adjusted, but permits were down by 9% to 432,000 units. Compared to last December, starts were up 38% and permits were ahead 3%.

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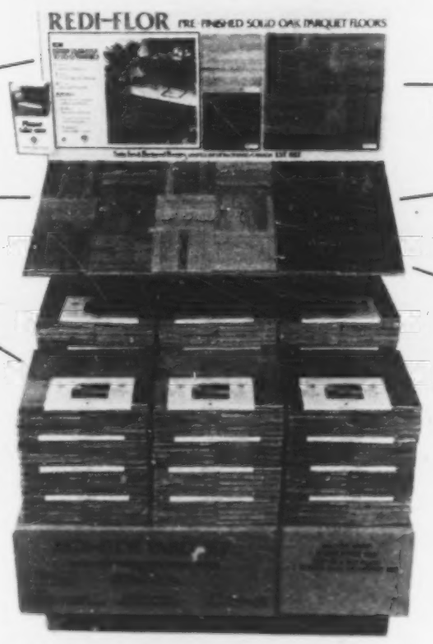
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LUMBER REPORT

WWPA prepares remodelers and DIYers for outdoor projects

PORTLAND, Ore. — Even the grip of winter is not enough to deter the Western Wood Products Association (WWPA) from prompting home improvement retailers to think about outdoor DIY projects for their customers.

After nearly a year's planning, the association is currently in the midst of promoting a battery of outdoor improvement projects for the professional remodeler and the DIYer.

The campaign continues what is part of a five-year effort on the part of the WWPA to boost additional demand for western wood products.

Bob Petow, director of product promotion, said the organization is distributing a series of point-of-sale brochures and shelf literature to push the use of softwoods as deck accessories. The literature, in pamphlet form, accents the distinctiveness of installing benches, planters, steps and tables as deck accessories for beauty and practicality.

"We'll be adding to this material in the coming months," Petow said, "directing it to retailers, builders and remodelers.

"It's information that they can use as a sales tool for their customers in case a retailer wants to stock an in-store display with the intent to get the shopper thinking: here is a new idea for my deck."

Petow said the pamphlets are designed to provoke alternative ideas for using treated lumber as decking material.

Expanded uses suggested

"For the remodeler, the dealer would use it as an additional sales tool and an idea generator for his clients when he is talking to people about an outdoor project, to get them involved in the remodeling project program in addition to just building a basic deck," Petow said.

Printed on a thick, dark-brown stock of paper, the "Simple-To-Build" plan sheets are easy to read, include descriptive diagrams and feature less-obtrusive, accordion-type page foldings to assist fastidious minded merchandisers.

"We decided on a thicker stock of paper because if it's going to be in a retailer's store, you want it to stand out," Petow said. "And when you are at home in the outdoors, you don't want a flimsy sheet of paper that'll be blowing away."

Simplified DIY instructions

For the DIYer, the pamphlets seem to promise ease and clarity. In the program for

(Continued on page 16)

FUTURES

Two weeks ended Jan. 9, 1986

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.

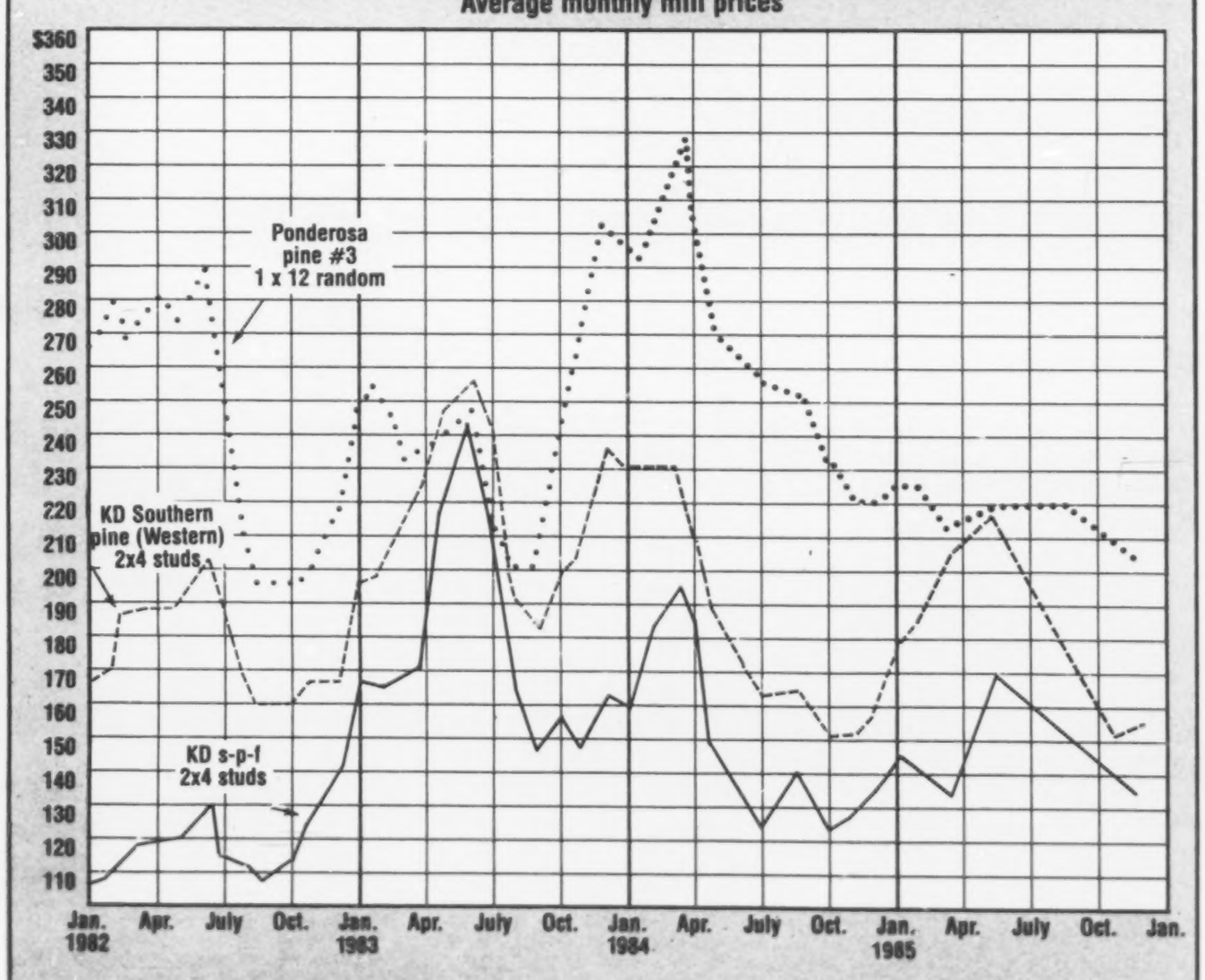
	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Jan. '86	147.20	143.10	146.90	144.90	699	187.30	133.60
March	151.20	145.30	146.60	149.80	3,004	195.00	139.70
May	155.90	150.00	151.60	155.10	956	176.40	145.20
July	160.50	154.30	155.50	159.90	277	183.40	149.50
Sept.	163.30	157.50	159.00	162.80	200	180.00	152.90
Nov.	163.30	157.80	159.20	162.90	120	166.90	153.00
Jan. '87	167.50	161.50	162.50	167.10	20	173.50	161.50

Total Volume (Through 1/9): 10,489 — **Previous Two Weeks: 7,940**
Total Open Interest (As of 1/9): 5,276 — **Previous Week: 6,415**
Cash Price: $148.96 — **Previous Week: $151.90** — **Year Ago: $164.64**

CME—Chicago Mercantile Exchange
*Figures for Thursday, Jan. 9
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



Price levels for studs and boards continued downward through the fourth quarter even though regional housing construction was high. A thousand board feet of ponderosa pine No. 3 1x12 random dropped $2 to $218 per thousand board feet for a November average. KD southern pine dropped to $150 per thousand board feet from a September average $215 per thousand board feet, while KD s-p-f continued sinking to $137 per thousand board feet.

Source: Random Lengths

Marketing plans up sales for Lumber Headquarters

FLORAL PARK, N.Y. — The injection of close-out merchandise and an aggressive marketing plan that boosted advertising expenditures by 50% over the previous year provided Lumber Headquarters with the fix it needed in 1985, lifting sales by more than 20% after a downer of a year in 1984.

Company president Morris Hoberman expects sales to be even better in 1986, "even though there is the possibility that the overall economy will not be as good" as the year just ended. Hoberman predicted at least a 10% gain on 1985's estimated sales of almost $20 million.

After a year of soft sales partly due to stronger stances taken by larger chains in the market that either opened warehouse-type stores or advertised warehouse pricing, Lumber Headquarters turned to manufacturers' surplus goods to remedy its slipping price image and to expand its product mix beyond the realm of lumber and building materials.

Early last year, the chain began purchasing closeouts, overstocks, discontinued models, factory rebuilt merchandise and product lines that had been bought back by the manufacturer after a retailer changed vendors. The stores carry any number of manufacturers' surplus products at any given time. Recently, the chain was selling such diverse surplus products as dinnerware sets, decorator brickface, pipe wrap installation, kerosene heaters and electric radiators, as well as wood window units, store doors and prehung steel and wood entry doors.

In conjunction with the new surplus items, Lumber Headquarters has marketed itself more aggressively over the past year. The increase in advertising expenditures was reflected in full spread ad pages every week in two local dailies, as well as the launch of the chain's first series of television commercials, which also pound home the low price image.

Hoberman also attributed new services offered by the chain, such as cutting and free delivery within a 15-mile radius of any Lumber Headquarters store with a $200 minimum order, with contributing to the company's healthier outlook.

However, Hoberman said that the chain has not had much luck in finding a 13th location. For the past year, Lumber Headquarters has been looking for a site for a new retail close-out warehouse store. In the meantime, said Hoberman, expansion will be limited to the enlargement of some of the company's existing stores.

Lumber Headquarters has five stores in Brooklyn, three in Queens and four on Long Island. It was lackluster sales at those four Long Island stores, competing directly against such larger competitors as Pergament, Channel and Grossman's, which precipitated Lumber Headquarters' addition of salvage merchandise. With the addition of Hechinger to the market sometime this year, that simmering competition is sure to boil.

Commenting on that competitive fervor, Hoberman noted that Long Island is a tough market to crack because of its expensive real estate, and that "there are not many success stories here among the major chains, with the exception of maybe Pergament, which has been here a long, long time."

WWPA promotes outdoor projects

(Continued from page 14)

building bench seats, for example, a DIYer is informed that the seats are simple to assemble from readily available materials such as 2x4's and 2x6's. The pamphlet features not only an artist's rendering from a bird's eye view of the finished deck and benches, but also highlights dissected, mechanical isolated construction directions.

Unlike the Southern Pine Forest Products Assn.'s recent five-year campaign to expand the use of southern woods in construction projects ranging from permanent all wood foundations to industrial roofing, the WWPA is centering on targeting western woods to the housing aftermarket.

Part of the WWPA's view comes from the housing depression of the early 1980's when lumber surpluses and lumber end-uses made it difficult for manufacturers and retailers to prosper, Petow said.

"You could say that our current promotion grew out of the timber recession in the early 1980's," Petow said. "Our membership thought that when the recession was passed that the association needed to go out and begin promoting wood and wood usage.

Ancillary sales the goal

"So we put together a five-year marketing plan in which one of the primary objectives is to create demand for western wood on the order of 2.5 billion bd. ft. over and above what is used normally in the construction of homes and enhancements to homes. [In 1985, an estimated 44 billion bd. ft. were used in the market.]

"We're not out there trying to stimulate housing demand," Petow continued, "our primary purpose is to create additional demand over and above what would be used if we did no promotion at all.

"There's going to be 1.7 million houses built next year and we can't affect that. Where our activity comes in is in the enhancements as, in this case, added amenities that a family can use in an outdoor environment."

The WWPA represents wood manufacturers in the western states, whose membership accounts for about 30% of U. S. lumber production.

For more information on the WWPA's campaign, call 1-503-224-3930.

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Perspectives

merchandising

Higher margins spark retail interest in better roofing

NATIONAL REPORT — Higher-priced, better quality roofing is inching its way into the home center market, as retailers search for bigger margins in a category whose profitability in recent years has been as thin as some shingles.

Suppliers have reduced the cost of their step-up fiberglass and asphalt shingles to give dealers a more practical price point range in which to sell. And displays featuring the esthetic and quality aspects of this roofing are becoming more prominent in home centers.

"The key to selling high-end roofing is the POS display, plus the sales help you can give the customer," explained Chuck Banyas, vp-merchandising for 36-unit Lloyd Lumber, based in Danbury, Conn., that, partially because of its contractor trade, gets nearly 30% of its roofing sales at the high-end. Banyas said that salesmen trained specially in roofing are in the building products department of each store, and in the units' "Ask-Me House" service area.

It wasn't too long ago, though, that several chains sounded like they were giving up on roofing as anything more than a loss leader. The product was severely football in every area of the country (particularly the South and West), with more than a few dealers claiming to be selling the product at little more than cost.

The problem in the past had been that higher-margin step-up roofing was out of the price reach of most consumers. This was especially true of heavier weight laminated roofing—i.e., two or more shingles stuck together through a lamination process—that could run as high as $75 per square, compared to the $18 to $22 per square replacement shingles would go for.

However, between 1981 and 1984, production of laminated shingles increased 58%, and accounted for more than 7% of the 78 million squares of roofing made in 1985, according to the Asphalt Roofing Manufacturers Assn.

These products, marketed by various suppliers—CertainTeed's "Hallmark," GAF's "Timberline," Celotex's "dimensional Shake III and IV," and Elk's "Prestique"—offer a 30-year warranty (compared to 15 years on lower-end shingles), a degree of architectural diversity not available from three-tab shingles, and a Class A fire rating, which made them popular on the West Coast as replacement for more faddish cedar shakes.

"I'd say the market for laminated shingles is limited, but a growing number of consumers want the more expensive look and longer roof life our product can provide," said J. D. Hasselbach, national accounts manager for Celotex in Tampa, Fla., which gets about 10% of its roofing sales from a laminated product that retails for around $40 a square. Hasselbach added that chains such as Lowe's, Wickes Lumber and The HomeClub were marketing laminated roofing aggressively.

These shingles, though, have been targeted primarily at the roofing contractor. The better-quality, though lower priced, nonlaminate shingles aimed more at the retail market have yet to capture the imaginations of either retailers or consumers. Currently, these types of shingles account for 4% of total production, a percentage that essentially hasn't moved since 1980.

But that could change soon, as two of the industry's major suppliers are now promoting better-grade roofing at prices they feel are more suited to the consumer interested in a step-up product.

Owens-Corning Fiberglas, based in Toledo, Ohio, brought out its high-style "Chaparral II" roofing line in 1984, but only recently has it begun offering promotional support for the product to dealers in the form of displays and advertising.

So far, the sales of the shingle, at a retail price point of

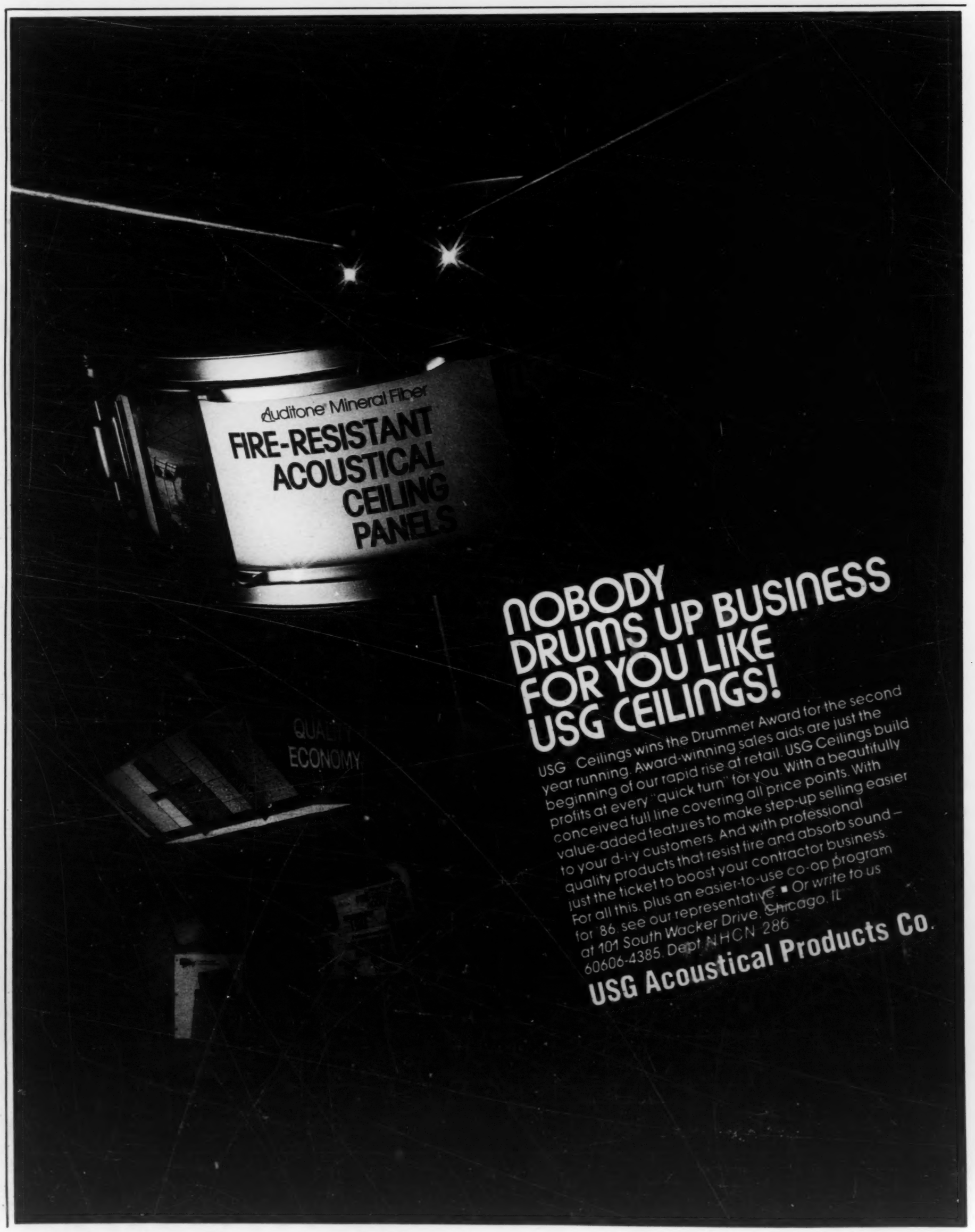
(Continued on page 32)

Total roofing production
(in squares)

Year	Total	Laminated shingles	Premium/medium shingles*
1981	56,720,166	3,403,210	2,268,806
1982	61,518,339	3,260,472	2,460,734
1983	74,338,400	4,831,996	2,973,535
1984	76,828,528	5,377,997	3,073,141
1985•	78,000,000	5,538,000	3,120,000

*Source: Asphalt Roofing Manufacturers Association; Owens-Corning Fiberglas
•*National Home Center News* estimates

Roofing production totals have increased since 1981. Making up a small, but growing, percentage of that total are laminated and premium/medium shingles.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Perspectives

merchandising

High margins attract interest in better-grade roofing

(Continued from page 29)

$30 to $36 a square, have been "good, though not outstanding," according to Fred Franklin, O-C's marketing manager. He explained that there has been some resistance to the product in some markets whose homes have low-slope roofs that don't lend themselves to showing off the architectural patterns of the shingles. And some retailers have balked at carrying the product because they feel the consumer market is too small.

However, Franklin felt that this market segment could be the fastest-growing over the next few years. "The surviving manufacturers in this business will have to offer and promote heavily the better grade roofing to be profitable."

Last year, CertainTeed Corp. in Valley Forge, Pa., took a slightly different tack from O-C when it introduced its "Hearthstead" shingle line. "It's very hard to trade a consumer up to a better shingle, so we wanted to offer dealers a noncommodity shingle at a price that wasn't much higher than the commodity line," said Marcia Trotman, CertainTeed's marketing manager.

Trotman insisted that based on CertainTeed's research, "consumer willingness to purchase higher-end shingles, and Hearthstead in particular, is very strong." The product is retailing for $30 a square, she said.

Just how fertile the retail home improvement market is for the sale of higher-end shingles remains to be seen, as dealers around the country gave very contrary opinions.

"We haven't really seen much demand for the better roofing, probably because the weather in the South isn't as severe as other parts of the country, so the need for better-quality roofing isn't as pressing," said Tom Koerber, merchandise manager for W. R. Grace's 108-unit Central Region, based in San Antonio, Tex., whose stores carry O-C's line on special order.

Koerber said most of the orders the chains get for this product are from consumers who wanted it installed, or from contractors requiring the product to be drop-shipped to a job site, "so why keep it in stock?"

Ozie Brown, a buyer for the 135-unit United Building Centers, based in Winona, Minn., echoed many of Koerber's comments. He added as well, that consumers have become so used to seeing roofing sell at $15 to $20 a square that upgrading them to higher-priced lines, regardless of quality differences in the products, would be extremely difficult. "Most people figure they will stay in their homes only 10 to 15 years, so why spend another $20 a square just to get a roof with a 30-year warranty?" he asked.

There are a number of dealers like Lloyd Lumber, however, that are finding increasing sales in their higher-end roofing lines, and are planning to expand their inventory commitment.

"Most homeowners have already fought the battle of the 15-year roof, and consumers are not looking for a better-quality product," said the buyer for a large West Coast chain whose stores sell Genstar's better shingles at around $14 per bundle (three bundles to a square).

This chain, which operates a number of stores in California, has found those shingles with Class A fire ratings have sold well as replacements for wood shakes "that offer no warranty and no fire protection."

Suppliers expect dealer receptivity to their higher-end roofing will grow as more consumers look to install new colors and design patterns to the roof of their homes. Some in the industry even think that laminates and premium fiberglass shingles could account for as much as 20% of manufacturers' sales, which last year were an estimated $1.5 billion.

But until the high-end market sorts itself out, chains like Lowe's will hedge their bets and shop the market for the best prices.

"High-end roofing, when you take in all the products, is all over the price board, and while we've had success selling this kind of product to contractors and consumers, we still aren't locked into one supplier's program," said Greg Wessling, vp-merchandising for the 283-unit North Carolina-based chain, which has carried quality shingles since 1977.

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FINANCIAL NEWS

The Retail Stock Index is calculated for each of the past 52 weeks by multiplying the market value of home center issues (combined price divided by total shares outstanding) by a constant which adjusts the index to show its relation to performance of S&P 500 Index over the past 52 weeks.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
		(100)	%	%
Manville Cp	N	20,845	359.8	19.1
Stanley Works	N	8,235	261.0	3.1
Grace W R	N	57,549	247.8	- 1.0
K mart Cp	N	58,058	178.9	2.2
Mich General	A	3,367	172.5	.0
Forest City Ent	A	85	162.5	- 2.5
Wickes Cos	A	90,766	160.6	- 5.3
Lewis Palmer	M	1,078	157.9	- 3.3
Am Standard	N	20,107	148.5	.0
Champ Intl	N	39,219	145.3	1.0
Clopay Corp	A	140	139.5	1.9
La Pacific	N	8,527	137.6	6.9
Black & Decker	N	30,620	134.6	1.9
Mor-Flo Inds	M	619	128.0	- .7
Walter, Jim	N	9,120	109.2	- 4.4
Lowe's Cos	N	11,561	107.1	- 5.6
Ply-Gem	A	1,937	104.1	4.9
Emhart Corp	N	4,286	103.9	- .4
Pope & Talbot	N	1,780	100.7	.7
Owens Corning	N	6,765	100.0	2.7

Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."

PRICE MOVEMENT

Company & Market		2-Weeks Ended 1-24-86	2-Week Price Change	Total 2-Week Volume
TOP GAINERS		$	%	(100)
Manville Cp	N	7.00	19.1	20,845
USG Corp	N	49.00	7.7	8,007
Payless Cash	N	15.88	7.6	8,111
Newell Co	N	22.50	7.1	812
La Pacific	N	23.13	6.9	8,527
Supermkts Gen	N	50.50	6.3	1,657
Natl Lumber	M	4.75	5.6	317
MacMlln Bldel	N	17.63	5.2	129
Thos Inds	N	20.75	5.1	749

Company & Market		2-Weeks Ended 1-24-86	2-Week Price Change	Total 2-Week Volume
TOP LOSERS		$	%	(100)
Homecrafters Whse	M	2.00	- 23.8	2,113
Allegheny Int	N	17.25	- 9.2	2,771
Insilco Corp	N	18.38	- 8.1	5,463
Home Depot	N	11.38	- 6.2	7,321
Lowe's Cos	N	25.38	- 5.6	11,561
Wickes Cos	A	4.50	- 5.3	90,766
Scotty's Inc	N	14.13	- 5.0	1,970
Hechinger A	M	19.50	- 4.9	4,490
Walter, Jim	N	40.88	- 4.4	9,120

National Home Center News®

HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 1-24-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																														
Color Tile	M	20.00	- .50	- 2.4	21.63	19.75	22.00	15.25	4,022	4.28	2.80	52.9	13.6	.00	.0	NEW	6 mos.	12-85	87.2	4.8	3.3	- 2.9	.34	- 8.1	182.2	14.8	6.6	6.5	.70	2.9
Erb Lumber	M	33.50	.00	.0	36.00	33.50	36.50	18.25	25	.28	.64	- 56.3	5.7	.00	.0	.....	9 mos.	09-85	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent	A	24.63	- .63	- 2.5	25.00	24.38	26.13	20.38	85	.21	.08	162.5	45.6	.15	.6	.....	9 mos.	10-85	72.8	14.3	.0	- 100.0	.00	- 100.0	200.0	5.7	3.6	20.0	.45	12.5
Grace W R	N	51.38	- .50	- 1.0	57.25	49.00	57.25	35.50	57,549	11.86	3.41	247.8	16.2	2.80	5.5	.....	9 mos.	09-85	1758.1	6.0	25.3	- 23.6	.41	- 39.7	5246.9	7.1	102.2	- 25.1	1.96	- 30.0
Handyman	A	27.13	.13	.5	27.13	26.50	29.63	21.75	240	.95	.48	97.9	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A	M	19.50	- 1.00	- 4.9	20.25	18.75	23.19	16.00	4,490	5.13	2.58	98.8	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	19.50	- .75	- 3.7	20.25	19.00	24.19	16.00	472	.35	.46	- 23.9	20.1	.08	.4	.....	9 mos.	10-85	118.3	17.8	5.5	17.0	.23	9.5	362.2	19.7	16.5	11.5	.70	7.7
Homecrafters Whse	M	2.00	- .63	- 23.8	2.75	2.00	10.00	1.00	2,113	7.47	7.56	- 1.2	NE	.00	.0	.....	9 mos.	10-85	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot	N	11.38	- .75	- 6.2	12.25	10.88	20.38	10.50	7,321	2.92	1.63	79.1	31.6	.00	.0	.....	9 mos.	10-85	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc	N	69.38	- .50	- .7	69.75	67.00	73.63	61.13	3,250	2.29	1.41	62.4	13.5	3.08	4.4	.....	9 mos.	11-85	694.7	- .6	27.0	- 4.6	1.71	216.7	1927.7	- 5.7	61.4	- 15.0	3.89	21.9
K mart Cp	N	35.25	.75	2.2	35.75	33.63	41.50	30.63	58,058	4.63	1.66	178.9	11.0	1.40	4.0	.....	9 mos.	10-85	5223.2	4.6	77.4	- 16.2	.60	- 15.5	15667.8	10.2	210.7	- 28.5	1.64	- 27.8
Lowe's Cos	N	25.38	- 1.50	- 5.6	27.13	24.13	31.13	20.75	11,561	3.19	1.54	107.1	4.2	.36	1.4	.....	9 mos.	10-85	3833.0	756.2	441.1	2406.3	4.90	900.0	4880.9	271.8	473.9	831.0	5.81	312.1
Mich General	A	3.63	.00	.0	4.00	3.50	8.13	3.25	3,367	2.97	1.09	172.5	NE	.00	.0	.....	9 mos.	09-85	128.3	3.6	(7.9)	- 100.0	(.69)	- 100.0	335.4	- 2.6	(23.2)	- 100.0	(2.05)	- 100.0
Natl Lumber	M	4.75	.25	5.6	5.00	4.50	7.50	4.50	317	.56	.48	16.7	23.8	.00	.0	.....	9 mos.	10-85	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak	N	13.00	.00	.0	13.63	12.75	15.25	11.50	1,828	1.83	1.76	4.0	16.0	.64	4.9	.....	9 mos.	11-85	86.1	5.6	1.8	- 33.3	.18	- 33.3	259.2	6.4	6.9	- 22.5	.69	- 22.5
Payless Cash	N	15.88	1.13	7.6	16.00	14.88	23.38	13.50	8,111	2.34	1.75	33.7	13.8	.16	1.0	NEW	fiscal	11-85	164.4	- 50.3	10.1	6.3	.35	20.7	1174.4	.0	37.1	- .3	1.15	.0
Scotty's Inc	N	14.13	- .75	- 5.0	15.25	14.00	16.38	12.38	1,970	1.37	.80	71.3	11.5	.52	3.7	.....	3 mos.	09-85	110.3	8.5	2.8	- 17.6	.20	- 23.1	110.3	8.5	2.8	- 17.6	.20	- 23.1
Sears, Roebuck	N	37.00	.00	.0	38.13	36.25	41.13	31.75	49,023	1.35	1.19	13.4	10.4	1.76	4.8	.....	9 mos.	09-85	10047.1	3.7	262.2	- 18.5	.71	- 19.3	28647.1	3.4	751.0	- 15.8	2.03	- 17.8
Svc Merchandise	M	11.25	- .38	- 3.2	12.13	11.13	16.13	11.25	20,917	6.28	3.96	58.6	19.1	.08	.7	.....	9 mos.	09-85	528.3	69.7	(15.1)	- 100.0	(.45)	- 100.0	1421.0	53.3	(18.4)	- 100.0	(.55)	- 100.0
Std Brd Pnt	N	20.38	- .25	- 1.2	21.00	20.00	23.88	18.75	1,634	1.44	1.35	6.7	12.3	.56	2.7	.....	9 mos.	10-85	90.0	10.4	4.0	- 24.5	.35	- 27.1	266.4	9.1	14.2	- 12.9	1.26	- 14.3
Supermkts Gen	N	50.50	3.00	6.3	50.75	47.50	52.00	33.50	1,657	.92	.77	19.5	14.0	.48	1.0	.....	9 mos.	10-85	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	36.
Wickes Cos	A	4.50	- .25	- 5.3	4.75	4.25	5.63	3.13	90,766	9.46	3.63	160.6	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber	M	6.00	- .13	- 2.0	6.25	5.88	7.25	5.25	510	.87	1.16	- 25.0	11.5	.16	2.7	.....	9 mos.	09-85	46.8	12.5	1.2	9.1	.20	5.3	113.3	10.0	2.2	22.2	.38	22.6
Zayre Corp	N	59.13	.13	.2	59.88	57.50	66.13	37.97	4,439	1.66	1.26	31.7	17.5	.48	.8	.....	9 mos.	10-85	942.0	21.3	27.6	22.1	1.02	21.4	2537.0	20.6	56.7	24.3	2.09	22.9
Wholesalers																														
Lewis Palmer	M	7.25	- .25	- 3.3	7.50	7.13	9.38	6.38	1,078	2.76	1.07	157.9	55.8	.27b	3.7	.....	9 mos.	10-85	39.9	- 9.9	- .6	.0	.16	6.7	110.4	- 2.9	.8	- 42.9	.22	- 43.6
Manufacturers																														
Allegheny Int	N	17.25	- 1.75	- 9.2	19.13	17.25	28.75	17.00	2,771	2.58	3.08	- 16.2	NE	1.40	8.1	.....	9 mos.	09-85	511.5	- .9	(71.4)	- 100.0	(7.35)	- 100.0	1519.2	- 1.0	(56.3)	- 100.0	(7.47)	- 100.0
Am Standard	N	38.88	.00	.0	39.38	36.63	40.13	26.75	20,107	5.12	2.06	148.5	13.1	1.60	4.1	.....	9 mos.	09-85	830.9	.3	28.2	- 3.1	.71	- 5.3	2498.2	6.2	85.8	2.0	2.18	- 4.8
Armstrng Wrld	N	41.13	- .25	- .6	41.63	39.63	45.75	30.38	4,478	1.87	1.32	41.7	10.2	1.30	3.2	.....	9 mos.	09-85	446.7	13.1	28.1	23.2	1.17	23.2	1253.2	5.6	78.3	6.7	3.26	8.7
Black & Decker	N	20.63	.38	1.9	21.13	19.88	26.50	17.25	30,620	6.03	2.57	134.6	22.4	.64	3.1	.....	fiscal	09-85	454.3	- 5.9	10.2	- 58.4	.20	- 58.3	1732.3	13.0	46.9	- 50.8	.92	- 52.8
Boise Cascade	N	46.38	.38	.8	47.00	44.50	51.00	37.25	9,191	3.40	1.79	89.9	13.4	1.90	4.1	NEW	fiscal	12-85	892.7	- 1.6	19.0	NE	.61	NE	3737.2	- 2.1	104.3	49.9	3.45	54.7
Certain-teed	N	25.13	- .63	- 2.4	26.00	25.00	28.50	21.25	1,749	.92	.59	55.9	9.2	.70	2.8	NEW	fiscal	12-85	261.7	- 4.4	10.4	- 25.2	.55	- 21.4	1109.7	- 6.7	53.4	22.8	2.73	25.8
Champ Intl	N	24.88	.25	1.0	26.00	23.50	26.75	20.00	39,219	4.22	1.72	145.3	NE	.52	2.1	.....	9 mos.	09-85	1330.4	17.6	37.9	- 5.7	.37	- 43.9	4575.1	33.4	125.0	14.3	1.22	- 31.5
Clopay Corp	A	13.75	.25	1.9	13.88	13.25	22.19	11.25	140	.91	.38	139.5	NE	.16	1.2	.....	9 mos.	09-85	38.5	6.6	(1.2)	- 100.0	(.78)	- 100.0	103.7	6.3	(1.7)	- 100.0	(1.10)	- 100.0
DeSoto Inc	N	37.00	1.00	2.8	37.50	36.00	37.88	31.50	310	.65	.55	18.2	12.0	1.40	3.8	.....	9 mos.	09-85	109.2	- 4.5	4.1	- 31.7	.86	- 18.9	330.1	.3	11.3	- 29.4	2.37	- 16.8
Emhart Corp	N	31.25	- .13	- .4	32.25	31.25	33.25	26.25	4,286	1.55	.76	103.9	11.5	1.40b	4.5	.....	9 mos.	09-85	421.2	.1	17.0	- 20.6	.61	- 28.2	1290.6	- 4.1	56.4	- 13.0	2.03	- 21.3
Georgia-Pacifc	N	25.75	.50	2.0	26.63	24.75	27.38	20.50	23,643	2.29	1.60	43.1	31.4	.80	3.1	.....	9 mos.	09-85	1752.0	- .3	58.0	- 30.1	.52	- 29.7	5126.0	4.3	174.0	- 20.2	1.56	- 8.8
Insilco Corp	N	18.38	- 1.63	- 8.1	20.25	18.25	21.38	16.63	5,463	2.78	1.66	67.5	13.4	1.00b	5.4	NEW	fiscal	12-85	174.7	- 3.4	3.6	- 50.7	.17	- 57.5	811.8	3.2	26.1	- 20.9	1.37	- 24.7
La Pacific	N	23.13	1.50	6.9	23.63	21.00	24.75	17.63	8,527	2.40	1.01	137.6	19.8	.80b	3.5	.....	9 mos.	09-85	332.3	6.3	11.3	63.8	.32	77.8	948.3	.2	18.7	- 11.8	.53	- 10.2
MacMlln Bldel	N	17.63	.88	5.2	17.88	16.50	21.34	12.47	129	.04	.02	100.0	26.7	.00a	.0	.....	9 mos.	09-85	597.1	- 1.0	12.1	61.3	.18	350.0	1733.7	11.9	22.5	NE	.10	NE
Manville Cp	N	7.00	1.13	19.1	7.13	5.63	8.63	5.13	20,845	8.69	1.89	359.8	NE	.00	.0	.....	9 mos.	09-85	471.4	- 4.0	(98.6)	- 100.0	(4.37)	- 100.0	1405.4	3.5	(66.0)	- 100.0	(3.53)	- 100.0
Masco Corp	N	41.50	.63	1.5	41.75	39.13	42.75	28.50	10,350	1.78	1.02	74.5	28.2	.64	1.5	.....	9 mos.	09-85	NC	NC	(48.6)	- 100.0	(.10)	NE	449.1	- 44.2	23.2	- 75.4	1.14	- 31.7
Mor-Flo Inds	M	18.75	- .13	- .7	19.00	18.75	20.25	14.50	619	2.44	1.07	128.0	8.8	.01	.1	.....	9 mos.	09-85	47.0	.9	.3	- 81.3	.11	- 82.5	153.0	3.9	3.7	- 22.9	1.45	- 24.5
Natl Gypsum	N	46.00	.63	1.4	46.25	45.25	47.25	25.09	10,846	4.74	2.76	71.7	8.8	1.52	3.3	.....	9 mos.	09-85	468.0	4.2	35.1	24.9	1.53	26.4	1277.4	- .8	96.6	18.4	4.16	18.9
Newell Co	N	22.50	1.50	7.1	22.75	21.13	22.75	15.13	812	.94	.72	30.6	11.6	.60	2.7	.....	9 mos.	09-85	92.2	36.4	5.4	74.2	.60	66.7	253.4	15.9	13.4	34.0	1.48	27.6
Owens Corning	N	37.50	1.00	2.7	38.00	36.38	38.75	30.75	6,765	2.28	1.14	100.0	9.2	1.40	3.7	.....	9 mos.	09-85	870.5	8.0	38.9	11.8	1.31	11.0	2338.4	3.2	87.1	8.5	2.94	7.7
Ply-Gem	A	18.63	.88	4.9	18.88	18.00	19.75	13.00	1,937	4.51	2.21	104.1	16.8	.16	.9	.....	9 mos.	09-85	39.5	- 2.7	1.1	37.5	.25	31.6	123.0	- .2	3.1	- 3.1	.77	- 12.5
Pope & Talbot	N	17.63	.13	.7	18.38	17.25	21.50	16.75	1,780	2.97	1.48	100.7	76.6	.80	4.5	.....	9 mos.	09-85	82.0	- .6	2.1	NE	.34	NE	250.3	3.8	6.1	48.8	1.01	46.4
Potlatch Cp	N	36.38	.13	.3	36.63	35.50	43.63	31.38	2,250	1.46	3.31	- 55.9	14.5	1.56	4.3	.....	9 mos.	09-85	239.6	- 3.8	11.3	1.8	.65	1.6	722.9	- 4.6	33.3	- 15.9	1.93	- 13.1
Sherwin-Wms	N	44.38	1.38	3.2	47.00	42.88	47.00	30.63	2,951	1.29	.73	76.7	14.0	.92	2.1	.....	9 mos.	09-85	578.8	4.8	29.1	15.0	1.26	13.5	1677.5	6.6	63.3	13.2	2.75	13.2
SW Forest Ind	N	13.63	- .13	- .9	14.88	13.25	15.88	9.88	7,535	8.11	4.40	84.3	NE	.00	.0	.....	9 mos.	09-85	181.6	- 10.6	(2.8)	- 100.0	(.45)	- 100.0	530.9	- 9.6	(7.3)	- 100.0	(1.25)	- 100.0
Stanley Works	N	32.75	1.00	3.1	33.00	31.50	33.75	26.50	8,235	2.96	.82	261.0	12.0	1.04	3.2	.....	9 mos.	09-85	297.1	.8	19.4	7.2	.70	7.7	885.9	3.9	52.6	5.2	1.92	7.3
Thos Inds	N	20.75	1.00	5.1	21.00	19.75	21.13	14.41	749	.84	.62	35.5	11.7	.65b	3.1	.....	9 mos.	09-85	79.1	- .5	4.9	14.0	.54	14.9	231.9	8.1	12.0	.0	1.34	.0
Triangle Pac	N	37.00	1.50	4.2	37.25	35.50	37.63	26.00	386	1.02	.90	13.3	10.2	1.00	2.7	.....	9 mos.	09-85	69.0	- 3.5	4.7	9.3	1.24	21.6	198.2	- 4.5	11.6	8.4	2.90	12.0
USG Corp	N	49.00	3.50	7.7	49.00	45.50	51.25	30.75	8,007	2.40	1.35	77.8	7.8	1.68	3.4	.....	9 mos.	09-85	657.4	3.7	65.7	38.3	1.96	36.1	1891.3	10.7	169.9	16.9	5.08	15.5
Walter, Jim	N	40.88	- 1.88	- 4.4	43.13	40.75	44.50	31.00	9,120	4.31	2.06	109.2	7.7	1.40	3.4	NEW	3 mos.	11-85	562.1	.7	31.7	17.0	1.45	16.9	562.1	.7	31.7	17.0	1.45	16.9
Waxman Ind	M	12.75	.25	2.0	13.25	12.25	16.88	9.00	931	2.97	2.17	36.9	19.0	.08	.6	.....	3 mos.	09-85	21.5	4.9	.6	- 14.3	.18	- 55.0	21.5	4.9	.6	- 14.3	.18	- 55.0
Weyerhaeuser	N	30.50	.13	.4	31.25	29.63	33.38	24.75	20,803	1.60	.96	66.7	29.0	1.30	4.3	.....	9 mos.	09-85	1291.8	- 51.6	38.6	- 33.8	.24	- 40.0	3967.6	- 4.2	136.5	- 31.3	.89	- 34.6

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News

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Grace vp Kossar tenders LBO offer for entire retail division

NEW YORK — Bernard Kossar, the senior marketing vice president of W. R. Grace here, reportedly has tendered a leveraged buyout offer for Grace's entire home center division, and possibly its retail group, NHCN has learned.

Sources from within Grace's headquarters said that Kossar's offer was made the last week of January. It was estimated to be for $600 million, although the amount could not be confirmed. Nor were the details of the offering, in terms of what parts of the retail segment it included, revealed.

Kossar was not available, and Allan Ruchman, an investment banker for First Boston Corporation, which is handling the sale of Grace's retail division for the company, would not comment.

(Continued on page 81)

Depot bails out of Detroit; growth cut to 9 units in '86

By John Caulfield
NHCN staff editor

ATLANTA — The Home Depot, which had been delaying its entry into the Detroit market for at least six months, has sold four of its store locations there and an option on one other to Pace Membership Warehouse, a Denver-based membership club warehouse operation.

The move, coming only days after Home Depot opened two new stores in San Diego, Calif., will defer indefinitely the 50-unit chain's opening a warehouse in its first non-Sunbelt market. Home Depot has also trimmed its expansion plans in 1986 to 9 stores from the 20 it originally announced last year.

"We made the decision not to open in Detroit and to concentrate on the opportunities we have in existing markets to become the dominant retailer," explained Ronald Brill, the chain's vp-finance.

"Last year was a tough year, and we're glad it's behind us," he continued. "In 1986, we'll concentrate on finetuning what we already have."

The decision by Home Depot "is a sign of maturity by the chain, and it could also interpreted as a peace offering to K mart and the industry in

(Continued on page 81)

NEWSBREAKS

WOLOHAN NAMES NEW CHAIRMAN. David F. Wallace, the 62-year-old, president and ceo of Saginaw, Mich.-based Wolohan Lumber was elected chairman, succeeding Richard V. Wolohan, 70, who is retiring but will remain a director. In addition, James L. Wolohan, merchandising vp and 34-year-old son of the former chairman, was named a director, increasing the board to seven members.

HOME SHOPS CLOSE. The 11-unit Home Shops here, which filed for protection under Chapter 11 in February, 1985, with $13.5 million in debt, closed all its stores in late January after 27 years of business. Its inventory, fixtures and equipment was put up for sale on February 6.

YARD KING WAREHOUSE OPENS FIRST UNIT. The new chain of outlets for lawn and garden supplies, nursery products and power equipment opened a 30,000-sq.-ft. store in Plantation, Fla., on Feb. 12, as the first of a dozen units planned for the southern part of that state. The company plans to open stores this year in the Florida towns of Tamarac, Margate, Pompano Beach, Hollywood, Kendall, Juno, and Boynton Beach.

Moore-Handley going public to relieve bulk of long-term debt

By Phillip M. Perry
NHCN staff editor

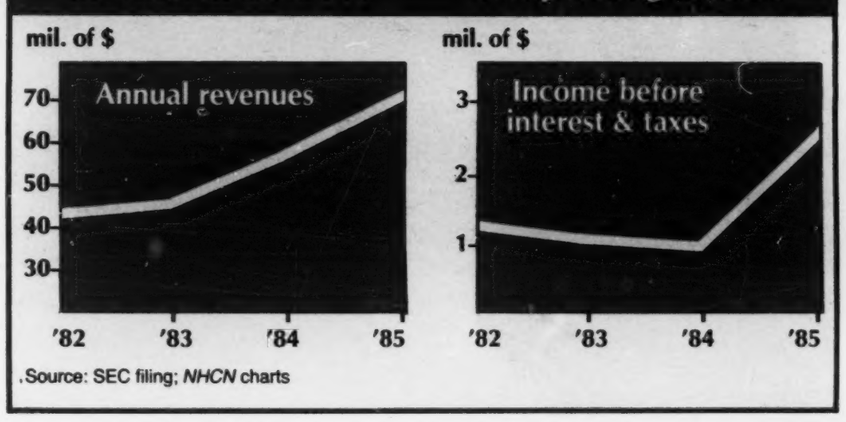
PELHAM, Ala. — Moore-Handley, the $69 million building materials distributor, late last month indicated that it planned to make a public offering of common stock in order to raise nearly $12 million, primarily to relieve itself of the bulk of its long-term debt.

The company filed a registration statement with the SEC on Jan. 31, proposing to offer one million shares of common stock to the public, to be underwritten by a syndicate of investment firms, managed by Robinson-Humphrey, Atlanta. When the stock goes to market, it is expected that it will sell for between $11 and $13 per share.

Of the proceeds expected from the offering, $10 million has been earmarked to pay off the bulk of the company's long term debt of $13,684,000. Much of the debt was incurred when executives of the compa-

(Continued on page 82)

Moore-Handley's steady increase in sales . . . . . has helped bolster its operating income



Source: SEC filing; *NHCN* charts

New owners streamline ex-Boise units to improve contractor sales

By Brad Altman
NHCN staff editor

SAN DIEGO — Western Lumber Co., the new company that late last year bought Boise Cascade Corp.'s retail stores and wholesale complex here, is trying to streamline operations in an effort to improve contractor sales.

Boise's southern California facilities—seven retail stores and a 35-acre wholesale/manufacturing complex in National City, Calif.—were purchased for about $25 million by a group of outside investors and former Boise employees last September.

Boise's decision to sell had been prompted by its long-

(Continued on page 82)

George E. McCown (left) and David E. DeLeeuw (right), partners in the firm of McCown DeLeeuw & Co., which arranged the financing for the buyout of Boise Cascade's retail stores. McCown is one of the owners of the new company, Western Lumber, and is seeking to streamline operations in an effort to improve contractor sales.

Diamond opens new DC signaling move toward national buying program

By Gary S. Ruderman
NHCN staff editor

CARROLTON, Texas — The opening of a 35,000-sq.-ft. distribution center this month in Sacramento, Calif., is the first visible step in Diamond Lumber Incorporated's shift to a national purchasing program.

The leased center will stock building materials for 37 Diamond Lumber outlets in California. Two additional distribution centers, slated for Colorado and New England, should be operational by the end of spring, the company said.

By the end of 1986, Diamond anticipates stripping

(Continued on page 81)

Diamond Lumber's opening of a new DC is aimed at making the chain a specialty retailer of building materials instead of a "wholesaler of stick lumber," accoring to Harlon Seats, president.

Industry Update

Mr. HOW resumes purchasing

MARGATE, Fla. — Merchandise ordering is back to normal and a year-end inventory that was supposed to have been taken in January was completed earlier this month at Mr. HOW Warehouse, the 29-store chain here that has been the subject of sale rumors for several months now.

According to Norman Darrer, president of the warehouse home center subsidiary of Service Merchandise Corp., the inventory was completed on Feb. 4, and buyers, who had been told to cancel orders from vendors last month, have resumed their purchasing activities.

The joint actions of the postponed inventory and cancelled orders had heightened speculation that Service was close to selling the division. Darrer declined to comment on rumors of a possible sale.

Evans disclosure filed with court

MIAMI — Several hundred pages of text and financial data were filed with U.S. Bankruptcy Court in Miami by Evans Products on Feb. 6 in support of its plan for reorganizing the company out of Chap. 11. The statement, required by the court, discusses the differences between Evans' plan and that filed by its unsecured creditors in December.

HomeClub to 'blitz' L.A. in May

FULLERTON, Calif. — In a single-day "blitz" opening in late May, HomeClub will open five stores in southern California, HomeClub president Robert McNulty told *NHCN*.

The stores are a build-to-suit in Stanton and four retrofits of Zodys discount department stores in Riverside; the City of Industry; North Hollywood and "the west side" of Los Angeles, McNulty said.

The next HomeClub slated to open is in Oakland, Calif., where HomeClub has leased a 100,000-sq.-ft. warehouse that is being converted and scheduled for a March debut.

Somerville considers DC sites

SOMERVILLE, Mass. — Somerville Lumber, the three-unit Payless Cashways subsidiary with three stores in the greater Boston area, is considering sites for a central distribution center that will service the firm's current stores as well as future expansion through the year 1990.

According to vice president David Cohen, the company hopes to open a 20- to 30-acre facility sometime next year.

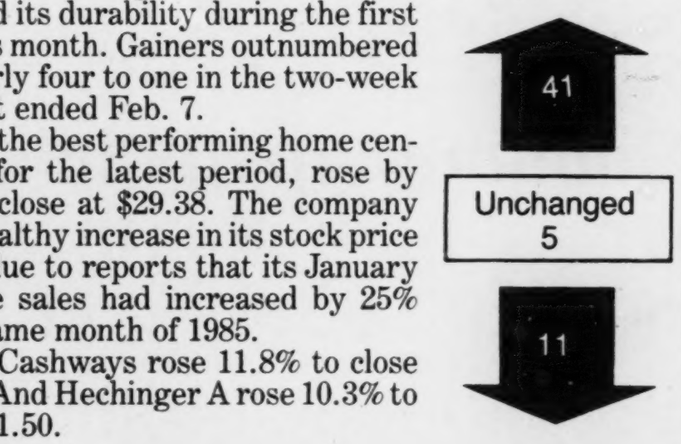
Somerville had previously announced plans to add its fourth and fifth stores this year: in Pelham, N.H., and Seekonk, Mass. The company's three stores registered more than $93 million in sales last year.

Gainers outpace losers, 4 to 1

NEW YORK — The home center stock market rally, which started raising cheers on Wall Street in Mid-January, proved its durability during the first part of this month. Gainers outnumbered losers nearly four to one in the two-week period that ended Feb. 7.

Lowe's, the best performing home center stock for the latest period, rose by 15.8%, to close at $29.38. The company said the healthy increase in its stock price might be due to reports that its January same-store sales had increased by 25% over the same month of 1985.

Payless Cashways rose 11.8% to close at $17.75. And Hechinger A rose 10.3% to close at $21.50.



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Vol. 12, No. 5 February 24, 1986

Belknap ceases operation, immediate liquidation of all assets to follow

LOUISVILLE, Ky. — Belknap, Inc., the hardware wholesale distributor which had operated under Chapter 11 for two months, closed its doors Feb. 4, saying it would adopt a liquidation plan recommended by unsecured creditors.

"Belknap, Inc. . . . plans to cease operations and commence liquidation of all company assets immediately," the firm announced following a meeting with counsel for the unsecured creditor's committee. The committee believes that liquidation would maximize the amount of payments to unsecured creditors, the firm said.

The company stated that Belknap's sole stockholder, David A. Jones, will keep title to the Main Street headquarters building, pay the unsecured creditors an undetermined amount from personal assets, pay an additonal $5 million a year for five years to the unsecured creditors and pay an additional $1 million for a terminated employee health insurance premium fund.

Any proposals must be approved by the bankruptcy court.

Jerald McDaniel, unsecured creditors' co-counsel, said roughly $52 million was owed his clients, with an additional $60 million owed the secured creditor, Manufacturers Hanover Bank.

The company employed 400 persons in Lousiville and, until January, 150 persons in New Orleans.

Senate backs Norfolk Southern Conrail bid; industry supportive, but wary

By Milford Prewitt
NHCN staff editor

WASHINGTON — Despite a flurry of last gasp efforts to stifle debate, the Senate backed the Reagan Administration's plan to sell the Consolidated Rail Corp. (Conrail) to Norfolk Southern.

By a vote of 54-39, the Senate sends the Department of Transportation's (DOT) plan to sell Conrail to the private sector on to the House of Representatives, where it is expected to face tougher opposition.

The original proposal was one part of the Administration's broad campaign to cut the federal budget by selling some government-owned assets to private enterprise and had pitted Norfolk Southern in a bitter lobbying and public relations battle with Morgan Stanley and Co., which had offered more than $1.4 billion to buy the system.

A few wholesale lumber distributors—some of whom had feared that a Morgan Stanley purchase of Conrail would mean freight rate increases and the elimination of marginally-used rail routes in outlying areas — were generally pleased with the plan.

(Continued on page 82)

Rail siding important for Manis stores

ROME, Ga. — While the decline in shipping rates brought about by deregulation in the trucking industry has encouraged many home center operators to move away from the practice of receiving merchandise by rail, one operator here is on a different track.

Manis Building Centers, a $14 million chain of eight stores in the Atlanta area, installed a rail spur last month at its newest unit, opened in Dalton, Ga. last November. While the company has operated an outlet in Dalton since 1963, the company said the new store, which replaced the old one, provided more space for customers.

"It doesn't hurt to be able to go both ways," said Mark Manis, vp of the chain, speaking of the flexibility in cost.

(Continued on page 82)

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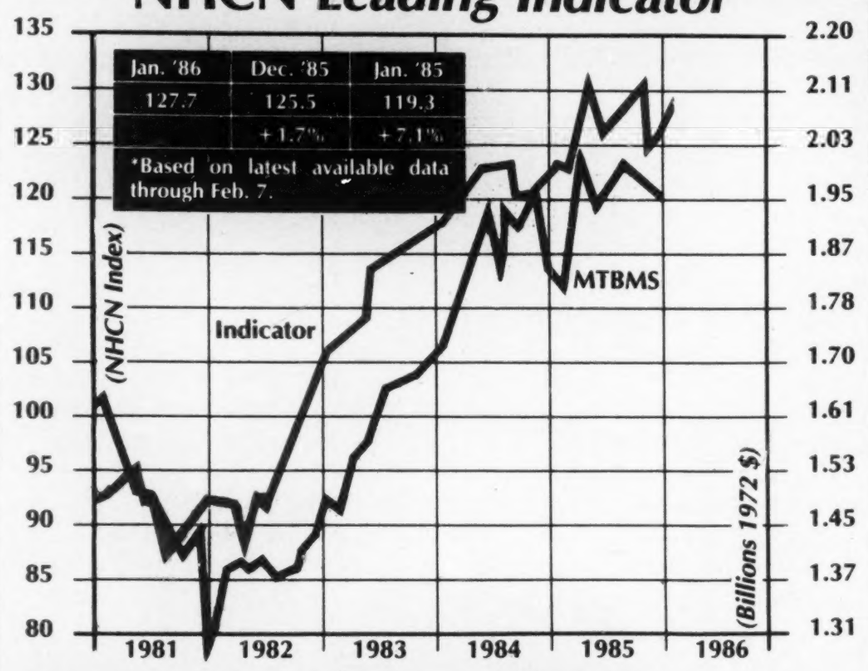
BUSINESS WATCH

NHCN *Leading Indicator*



MTBMS—Monthly retail trade building materials and supplies in 1972$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

The *NHCN* Leading Sales Indicator, sparked by the surge in home resales, rose 1.7% in January to a level of 127.7. Preliminary data suggests that February could be about 128.5, confirming the 6% gain in building material sales.

Economic changes will force future existing home prices to rise faster

By Richard E. Mount
Special to NHCN

Recent changes in the economy will make future price increases for existing homes rise faster than they have over the past three years.

Current estimates now suggest average resale prices will run 5.2% higher this year than the year before, compared to 4.0% average annual increase occurring from 1982 to 1985.

While that is still well below the late 1970's double-digit levels, the latest forecast is good news for the remodeling business, which is expected to get a boost from a more active resale market.

Richard E. Mount

Prices in the recovery

Ordinarily, prices of existing homes rise faster than inflation during economic expansions, as interest rates decline and more expensive housing becomes affordable. But in the current economic recovery, existing housing has not appreciated much. Part of this slowdown resulted from a deeply slashed underlying rate of inflation, through monetary policy, energy price cuts and weakness in agricultural commodities.

Prices of building materials have been particularly soft, further limiting new home prices increases.

Energy prices have declined in this recovery, and natural gas and oil products are major costs in producing asphalt roofing, cement and glass. Manufactureres of many materials—with the possible exception of gypsum—have not been in a position to raise prices without the risk of losing market share, because domestic overcapacity is currently high. And the high value of the dollar has increased import penetration into many markets.

The current economic expansion has not affected all regions of the country in the same way. The housing market in energy states like Texas and Oklahoma is glutted, and business prospects are weak for the near term. Most agricultural areas are distressed, and mining regions are suffering from both imports and low manufacturing demand.

The reason prices of home resales will increase about 5% this year, stems partly from the fact that as the dollar declines, imported building materials will become more expensive. At the same time, continued expansion of the U.S. economy will put pressure on capacity and prices in many industries.

Another reason for the rate of resale prices to gain speed can be tied to growing consumer incomes. The current decline in oil prices will boost consumers' real income an additional $15 billion this year. As consumer incomes rise, sellers will have more pricing flexibility.

Energy prices, however, will fall less rapidly after 1986's first half, forcing many producers of building materials to raise prices to cover costs.

The economic expansion will affect the country more uniformly than will surges in home demand. More specifically, though, the recovery in capital goods will give a boost to home demand and prices in the Midwest. Prices of agriculture and energy will continue to soften, but not as rapidly as in 1985. And the boom in the Northeast will moderate.

Since the resale market largely drives building material sales, changes in the econ-

(Continued on page 5)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	Latest Available Data	1985 QI	1985 QII	1985 QIII	1985 QIV	1986 QI^p	1986 QII^p	1986 QIII^p	1986 QIV^p	1984	1985	1986
NHCN Leading Indicator (January 1980 = 100)	Jan.	120.2	124.3	125.1	123.4	128.7	128.9	129.0	128.7	117.8	123.3	128.8

General Economic Outlook

GNP $1982 Billion	QIV	3,547.8	3,557.4	3,584.1	3,605.0	3,647.2	3,682.3	3,720.8	3,760.4	3,774.7	3,573.6	3,702.7
Real Disposable Income $1982 Billion	QIV	2,482.7	2,532.2	2,503.1	2,517.9	2,553.2	2,576.7	2,600.1	2,623.2	2,468.4	2,509.0	2,588.3
Housing Permits (000 SAAR)	Dec.	1,667	1,731	1,762	1,731	1,730	1,700	1,650	1,630	1,682	1,739	1,739
Housing Starts (000 SAAR)	Dec.	1,795	1,772	1,673	1,726	1,850	1,825	1,775	1,750	1,750	1,733	1,755
New Home Sales (000 SAAR)	Dec.	670	680	711	688	740	720	690	680	639	686	708
Resales (000 SAAR)	Dec.	2,970	3,047	3,363	3,500	3,350	3,300	3,200	3,150	2,868	3,216	3,250
Prime Rate %	Jan.	10.5	10.2	9.5	9.5	9.2	9.0	9.0	9.0	12.0	9.9	9.1
Mortgage Rate % (HUD)	Jan.	13.0	12.9	12.1	11.8	11.5	11.4	12.0	12.1	13.8	12.5	11.8
Consumer Price Index (1967 = 100)	Dec.	317.8	321.1	323.0	326.3	328.3	330.4	333.1	335.6	311.1	322.1	331.9
Producer Price Index (1967 = 100)	Dec.	292.1	293.8	293.2	296.3	295.8	294.7	295.0	295.2	291.2	293.8	295.2
New Housing Affordability (1980 = 100)	Dec.	110.3	109.0	116.0	118.8	120.1	120.2	117.5	117.0	102.2	113.5	118.7

Residential Alterations and Repairs

Current

Total $ Millions (SAAR)	QII '85	84,900	70,400	70,575	72,928	75,498	77,773	80,356	82,801	69,784	74,701	79,107
Maintenance & Repair	QII '85	37,300	32,400	30,888	32,074	33,102	34,149	35,212	36,294	28,894	33,165	34,689
Additions & Alterations	QII '85	29,700	25,600	26,672	27,359	28,234	28,964	29,795	30,458	27,822	27,333	29,363
Major Replacements	QII '85	17,900	12,400	13,015	13,495	14,161	14,661	15,349	16,050	13,067	14,203	15,055

Constant

Total Millions ($1977 SAAR)	QII '85	49,739	40,975	40,670	41,610	42,650	43,500	44,500	45,400	41,134	43,249	44,013
Maintenance & Repair	QII '85	21,853	18,858	17,800	18,300	18,700	19,100	19,500	19,900	17,029	19,203	19,300
Additions & Alterations	QII '85	17,400	14,900	15,370	15,610	15,950	16,200	16,500	16,700	16,406	15,820	16,338
Major Replacements	QII '85	10,487	7,217	7,500	7,700	8,000	8,200	8,500	8,800	7,699	8,226	8,375

Retail Trade Activity

	Latest Available Data	1985 QI	1985 QII	1985 QIII	1985 QIV^e	1986 QI^p	1986 QII^p	1986 QIII^p	1986 QIV^p	1984	1985	1986

Current

Total $ Millions (SAAR)	Dec.	1,339,688	1,374,052	1,403,728	1,393,368	1,417,968	1,440,707	1,462,559	1,489,779	1,297,015	1,378,609	1,452,753
Total Minus Automobile	Dec.	1,043,440	1,062,084	1,071,676	1,090,860	1,096,837	1,112,253	1,128,505	1,146,481	1,020,007	1,068,337	1,121,019
Building Material, Hardware, Garden Supply, Mobile Home	Dec.	69,016	72,024	73,132	76,704	77,163	78,142	79,168	80,136	68,703	72,931	78,652
Building Material & Supply	Nov.	50,468	53,012	53,248	55,772	56,566	57,409	58,440	59,296	49,774	53,125	57,928
Hardware	Nov.	9,844	9,984	10,256	10,752	10,573	10,725	10,809	10,870	9,530	10,209	10,744

Constant

Total $ Millions ($1972 SAAR)	Dec.	636,632	651,792	664,008	658,489	663,480	667,445	670,860	676,580	621,128	652,730	669,591
Total Minus Automobile	Dec.	497,904	505,112	509,272	519,209	516,885	518,960	521,330	524,390	489,405	507,874	520,391
Building Material, Hardware, Garden Supply, Mobile Home	Dec.	30,476	31,908	32,537	33,985	33,850	33,940	34,045	34,120	31,185	32,227	33,989
Building Material & Supply	Nov.	22,284	23,484	23,690	24,567	24,670	24,790	24,985	25,100	22,623	23,506	24,886
Hardware	Nov.	4,344	4,424	4,563	4,735	4,610	4,630	4,620	4,600	4,334	4,516	4,615
Building Materials % of Total Less Automobile ($ Current)	Nov.	4.84	4.99	4.97	5.11	5.16	5.16	5.18	5.17	4.88	4.97	5.17

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
Feb. 7, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. Part I includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. Part II includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
e—estimate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

FINANCIAL NEWS

Economy to force home prices up

(Continued from page 4)

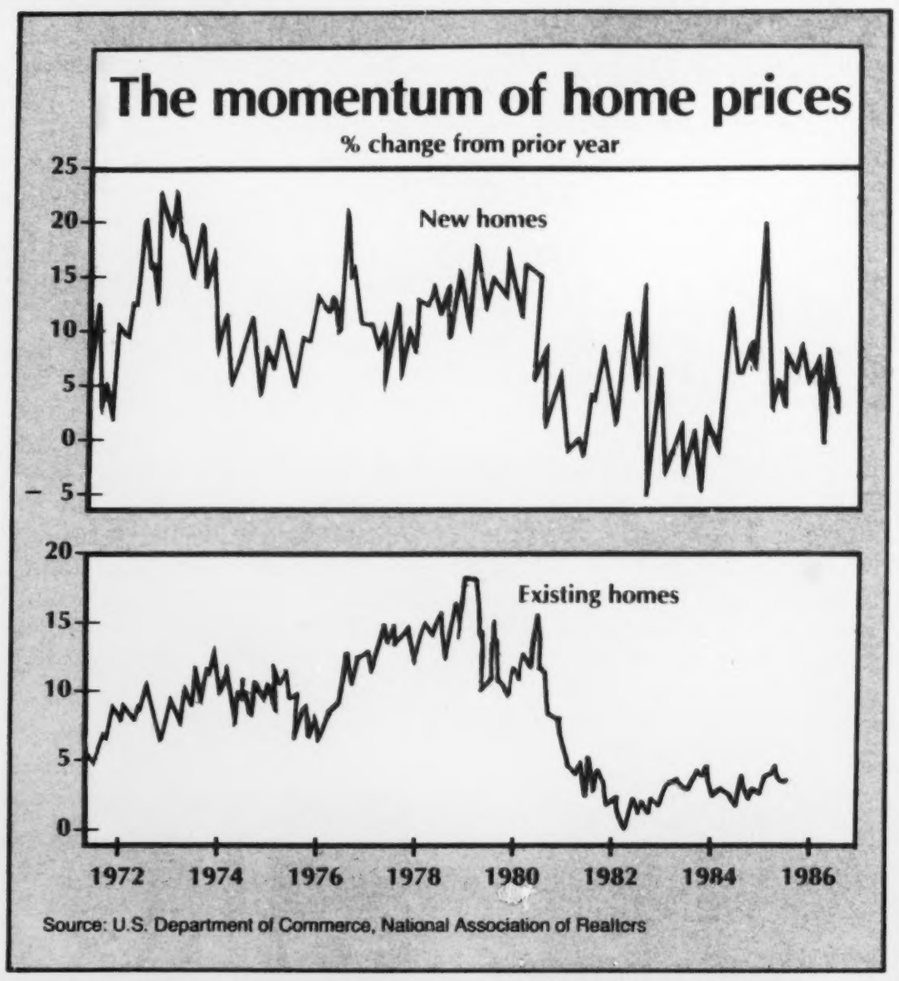
omy that boost resales inevitably help the retail market.

As home prices go up faster, resale activity will increase. Home buyers will buy more frequently as they trade up, and they will purchase larger, more expensive homes. This buying pattern will increase both the volume and the quality of building material sales.

Although housing starts may beginn to decline later this year, resale activity will not fali as rapidly.

Prices of existing homes have an average edge of $11,000 over new homes. Higher appreciation rates in resales increases the investment incentive for buyers, even when housing demand softens.

For building material sales, the relative strength of existing home sales over new will be a plus for retail outlets but a negative for wholesale sales to contractors.



Scotty's posts Dec. sales of $45.4M

WINTER HAVEN, Fla. — Scotty's reported that sales for both the five weeks and 26 weeks ended Dec. 28, 1985, were up 9% from the comparable periods last year.

December sales were $45.4 million, compared with $41.8 million in the same month of 1984. Sales for the first six months of Scotty's 1986 fiscal year, ending Dec. 28, were $230.9 million, up from $211.3 million for the corresponding six months last year.

Vice chairman Ray Cooney attributed the sales gains to "continued improvement in consumer do-it-yourself" business as well as the addition of new stores. In December 1984, Scotty's operated 110 outlets; it now operates 124 stores, including 110 full-line home centers, 12 hardware stores and two factory outlet warehouses.

Lowe's Dec. sales jump 25% to $153M

NORTH WILKESBORO, N.C. — Lowe's Cos. reported sales in December jumped 25% to $153.3 million, during the four-week period ended Dec. 27. Comparable store sales—at 243 stores open more than one year ago Dec. 27—were up 10%. The company was operating 40 more stores than it had in the previous December.

The monthly figures also show that retail sales rose 24%, while sales to professional customers grew by 25%, and made up 42% of the sales total.

In December, Lowe's opened a new store in West Augusta, Ga., and acquired a unit in Banner Elk, N.C., bringing the chainwide total to 283 stores in 21 states, primarily in the eastern Sunbelt.

Interco reports 3 month sales of $355 million

ST. LOUIS — Interco, parent company of Central Hardware, said that sales for its merchandising group, for the three-month period ending Nov. 30, 1985, totalled $355.1 million. This represented a 20% drop from the same period of the previous year. Net earnings for the group were $17.2 million, down about 3% from the same quarter the previous year.

For the company as a whole, net sales dropped 0.6% to $694.7 million. Net earnings were $27 million, compared with $8.3 million for the same period the previous year, after a nonrecurring charge of $20 million.

K mart to divest of two operations

TROY, Mich. — K mart said it would divest two loss operations as part of a program to concentrate resources where they can produce greater return. The two operations are its Mexican venture with Gentor, S.A.—Astra, S.A., and K mart Insurance Services.

The company said it would set up a fourth quarter provision to cover all losses.

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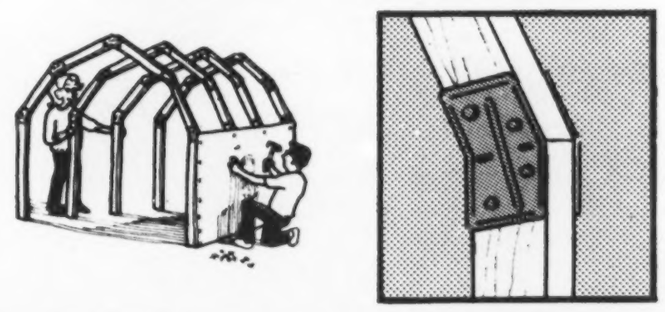

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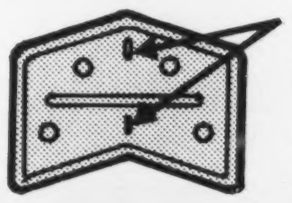

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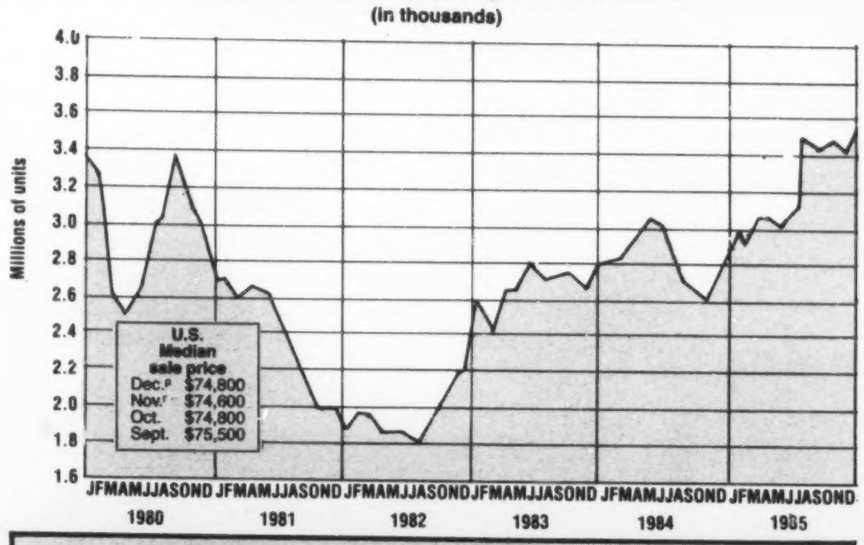
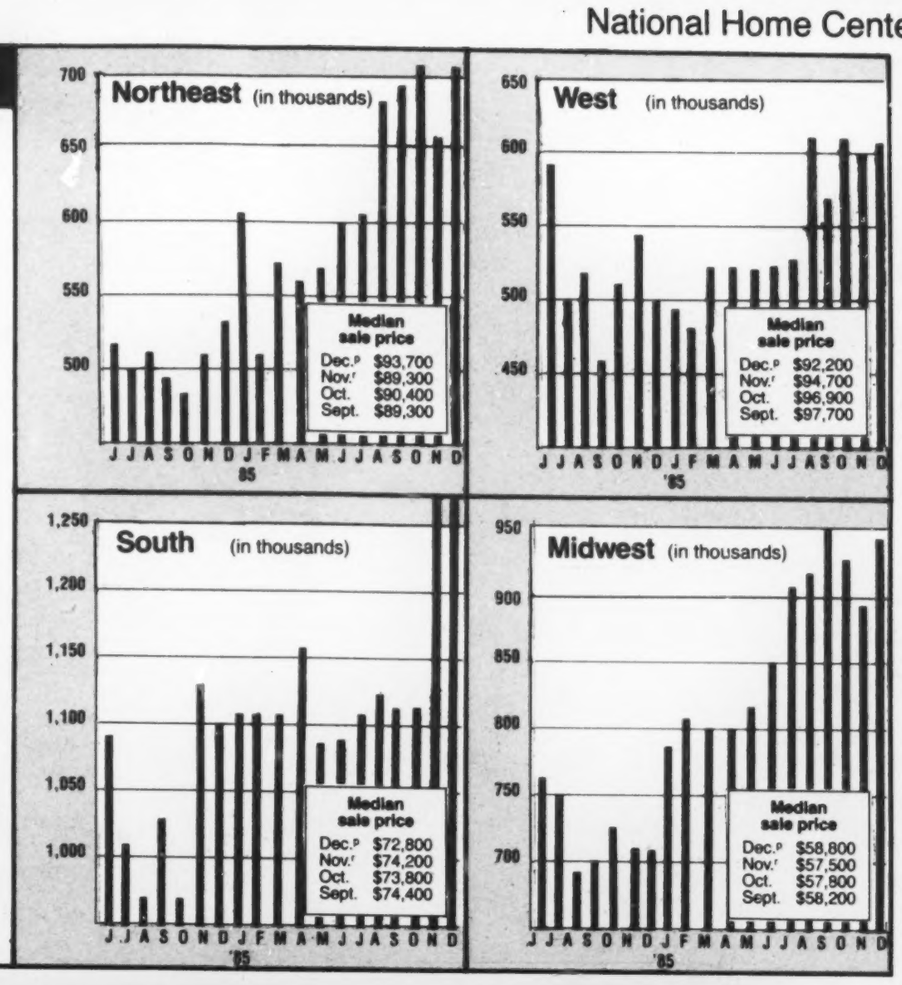


The sales pace for existing single-family homes hit 3.22 million units in 1985, the first time since 1979—when 3.83 million units were sold—that the annual total broke the three-million-unit mark, the National Association of Realtors reported. NAR economists are already projecting that 1986 totals should exceed those of 1985.

p = preliminary r = revised

Source: Nat'l Assn. of Realtors



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Dec. resales hit 3.5 mil., 2nd best in '85

NATIONAL REPORT — The resale rate for single-family homes rose 3.2% in December to a seasonally adjusted 3.53 million units, the second highest rate in 1985, according to the National Association of Realtors.

December's rate was second only to October 1985, which posted a resales rate of 3.55 million units—the highest pace since October 1979, the association said.

For all of 1985, the NAR reported that 3.216 million previously-occupied homes were sold, the first time since 1979 that the pace has been above the three million unit mark.

Clark E. Wallace, president of the NAR, credits last year's lower mortgage rates with stimulating housing activity, adding that 1986 should exceed the 1985 pace.

According to the Federal Home Loan Bank Board, the average effective interest rate on loans closed for existing single-family homes was 11.14% in early December, compared with 12.77% a year ago.

Nationally, sales in December were 23% ahead of December 1984, when 2.87 million units were sold.

NAR economists are predicting that resale activity should continue rising in 1986 with the South and West projected to grow at 13% each. The Northeast, the economists noted, should post gains of 4.5% in 1986 and the Midwest should chart increases of 3.8%.

For 1985, resales in the Northeast set record sales and appreciation increases and activity in the Midwest and South were the highest since 1979. The resale total in the West was the highest since 1980, the NAR reported.

Home prices, however, rose just 3.7% nationwide in this recording period. The median price of a single-family resale home in December was $74,800, up $200 from November and $2,700 from the final month of 1984.

Although the country's appreciation rate was fairly low last year—and NAR economists predict that pace to continue through this year—two of the regions posted considerable gains, especially the Northeast. Homes in this region appreciated 15% in 1985, to a median $93,700. Last year was also the first time since December 1979 that home prices in the Northeast exceeded those of the West, traditionally the most expensive region to purchase a home, association economists noted.

Sales of previously occupied homes in the small Northeastern region, also posted the largest gains. The pace was up 7.6% in December, to 710,000 units, seasonally adjusted, from November's 660,000. In December 1984, the Northeast charted 520,000 resales.

In contrast, the West posted a 1.4% decline in home values over the past year. The median resale home was priced at $92,200, compared to $93,500 in December 1984.

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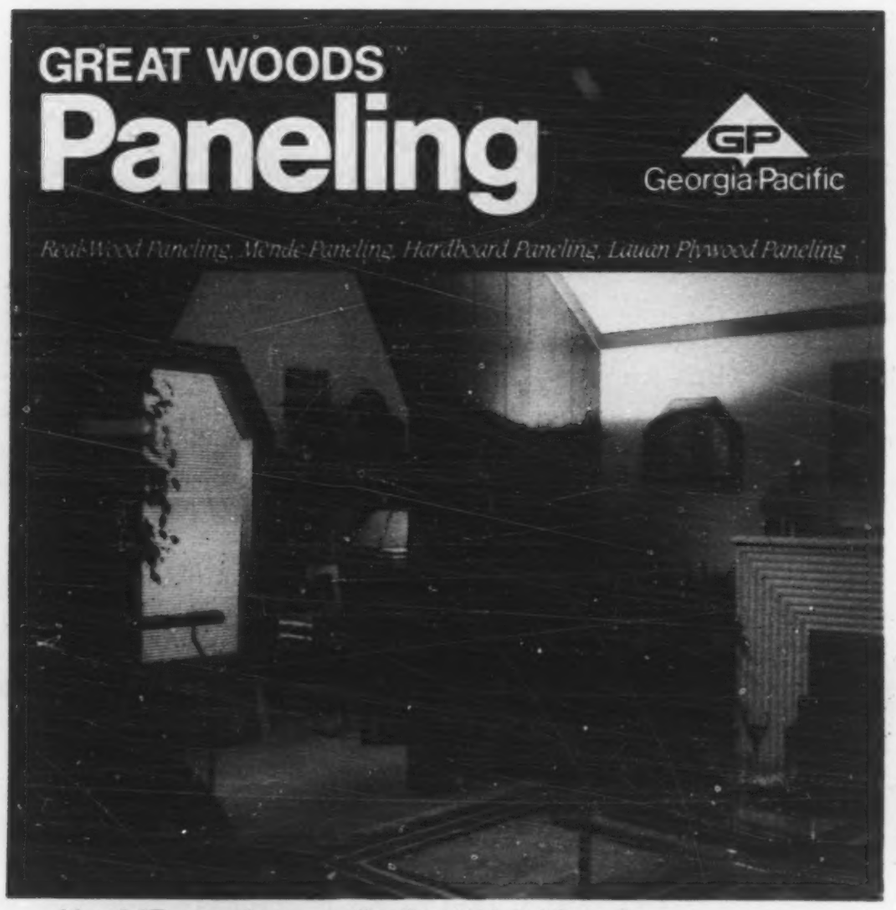

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LUMBER REPORT

BMA sales rise 50% in January; '86 sales may exceed forecast

GREENVILLE, S.C. — Buoyed by builders' optimism voiced by at the recent National Association of Home Builders Show, and a 50% increase in his company's sales in January, Richard Ingram, the president of dealer services at Builder Marts of America here, now thinks revenues in 1986 could be double BMA's original projections.

"I am pleasantly surprised, and a little astounded, at the kind of business we're seeing," he told *NHCN* last month. "The weather in our dealers' market has been good, and homebuilding solid, so our business is booming. Perception can sometimes become reality in this market although I have to admit that I was pessimistic going into this year."

Strong sales, flat net

In 1985, BMA, a dealer services organization, enjoyed a 15% increase in sales to an estimated $572.7 million, and it added 123 dealers to its fold, bringing its total to 1,482.

"But," said Ingram, "we simply could not put more money on the bottom line."

He explained that, for the past two years, the building products market to which BMA caters has experienced "zero inflation, and, last year, some deflation." Plus, BMA found that its operating costs, through the first half of last year, were getting out of control.

For 1986, BMA officials had budgeted another year of zero inflation, and projected that the 11% anticipated sales growth would come exclusively from the addition of about 65 new dealers.

"Now, from what we're hearing in the field, particularly at the Dallas show, and from the kinds of orders we're receiving, I believe our percentage increase in sales could be double what we had projected, especially if we have any kind of inflation this year," he said. He called this a "kind of rebirth of the market."

Cost measures begun

And the profitability of BMA should improve markedly from the cost containment program company officials initiated last summer.

Ingram asked all BMA's 180 or so employees for ways the company could cut its costs, and his office got 283 suggestions, ranging from making travel plans in advance to take advantage of discounts, to a more prudent use of office supplies.

One particular cost-saving measure Ingram alluded to was a more efficient use of the telephone, which is BMA's second highest expense, after salaries. "We found that the average phone call our people make runs 3 ½ minutes and, by cutting that length by half a minute, we'd save $100,000 a year," he said.

Other cost-cutting enacted by the company was a 10% reduction in its workforce last year, and what Ingram said was "a zero-based budget analysis of our company."

Another aspect of BMA's business that bears watching is the development of a new import program. When it was shuffling its employee staff around in 1985, BMA deployed four of its people to work fulltime on importing hardlines from the Orient, a new twist to BMA's merchandising that Ingram said would "expand our product mix."

FUTURES

Two weeks ended Jan. 30, 1986

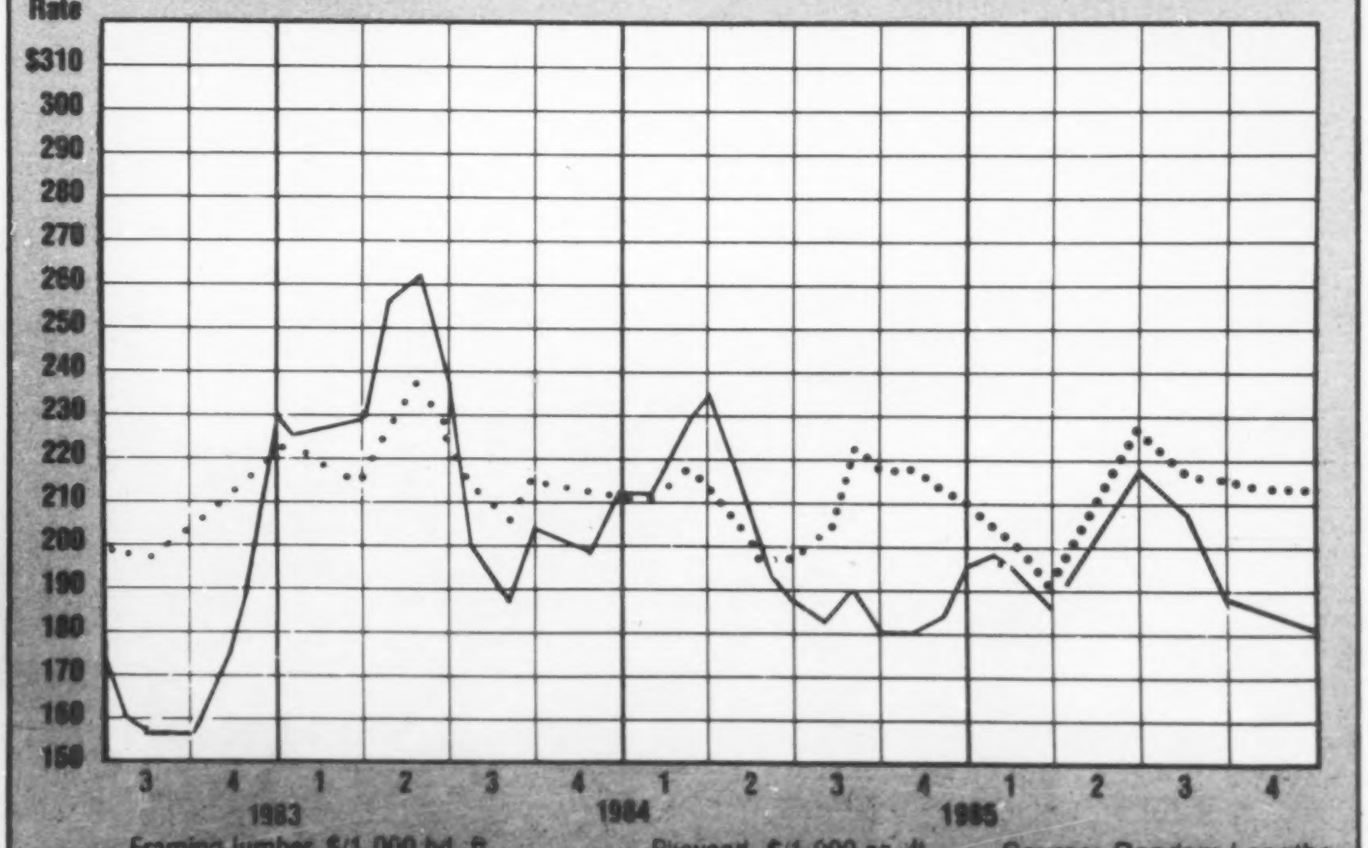
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
March '86	145.20	139.10	139.40	143.60	3,261	195.00	139.10
May	148.70	143.30	143.50	147.60	1,434	176.40	143.30
July	153.00	147.10	147.20	151.50	608	183.40	147.10
Sept.	154.80	149.20	149.90	153.80	345	180.00	149.20
Nov.	154.90	149.70	149.80	154.00	88	166.90	149.70
Jan. '87	159.00	152.50	152.50	159.00	25	173.50	152.50
March	162.50	155.50	155.50	166.00	4	168.00	155.50

Total Contract Vol. (Through 1/30): 10,762 — **Previous Two Weeks: 11,260**
Total Open Interest (As of 1/30): 5,765 — **Previous Week: 5,472**
Cash Price: $147.00 — **Previous Week: $148.96** — **Year Ago: $152.88**

CME—Chicago Mercantile Exchange
*Figures for Thursday, Jan. 30, 1986.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile



The mid-year price peaks plywood and framing lumber enjoyed in 1985 dropped sharply by year's end. Framing lumber was selling at $230 per thousand board feet at the beginning of the third quarter but ended the year selling at $203 per thousand board feet. Plywood had a similar decline from a high in June of $215 per thousand board feet to $183.

Perspectives

cover story

NAHB sees Smart technology revolutionizing housing

NATIONAL REPORT — A house that can turn on the lights, turn off the oven when the roast is done, report a faulty wire and control the inside temperature and humidity? Yes.

It's called SMART House. And it is a system for residential wiring that distributes power, signal information and data communication through a single cable, explained Ken Geremia, spokesman for the National Association of Home Builders Research Foundation, Rockville, Md., a wholly-owned subsidiary of the National Association of Home Builders (NAHB), coordinators of this project.

To be available in 1988, this system, which is modular, requires specially designed outlets and connectors, on which any appliance can run, to prevent mismating of power and signals.

The first applications of SMART House products will be in single-family detached homes, with newly-installed NAHB president David Smith, a Virginia builder, being among the first to use it.

The home retrofit market will not be addressed until next year with application probably beginning in 1989, Geremia said.

A consortium of 30 manufacturers, among them General Electric, Carrier, Whirlpool, North American Philips, Honeywell, Schlage Lock, and Nu-Tone Division of Scovill, plus several federal agencies, have been working on the project and are currently developing products for use in the house. Their research was made possible under the National Cooperative Research Act, passed by Congress last fall. It allows U.S. firms to pool their research efforts.

"SMART House technology will be the standard in the industry at the end of the decade," asserted Geremia.

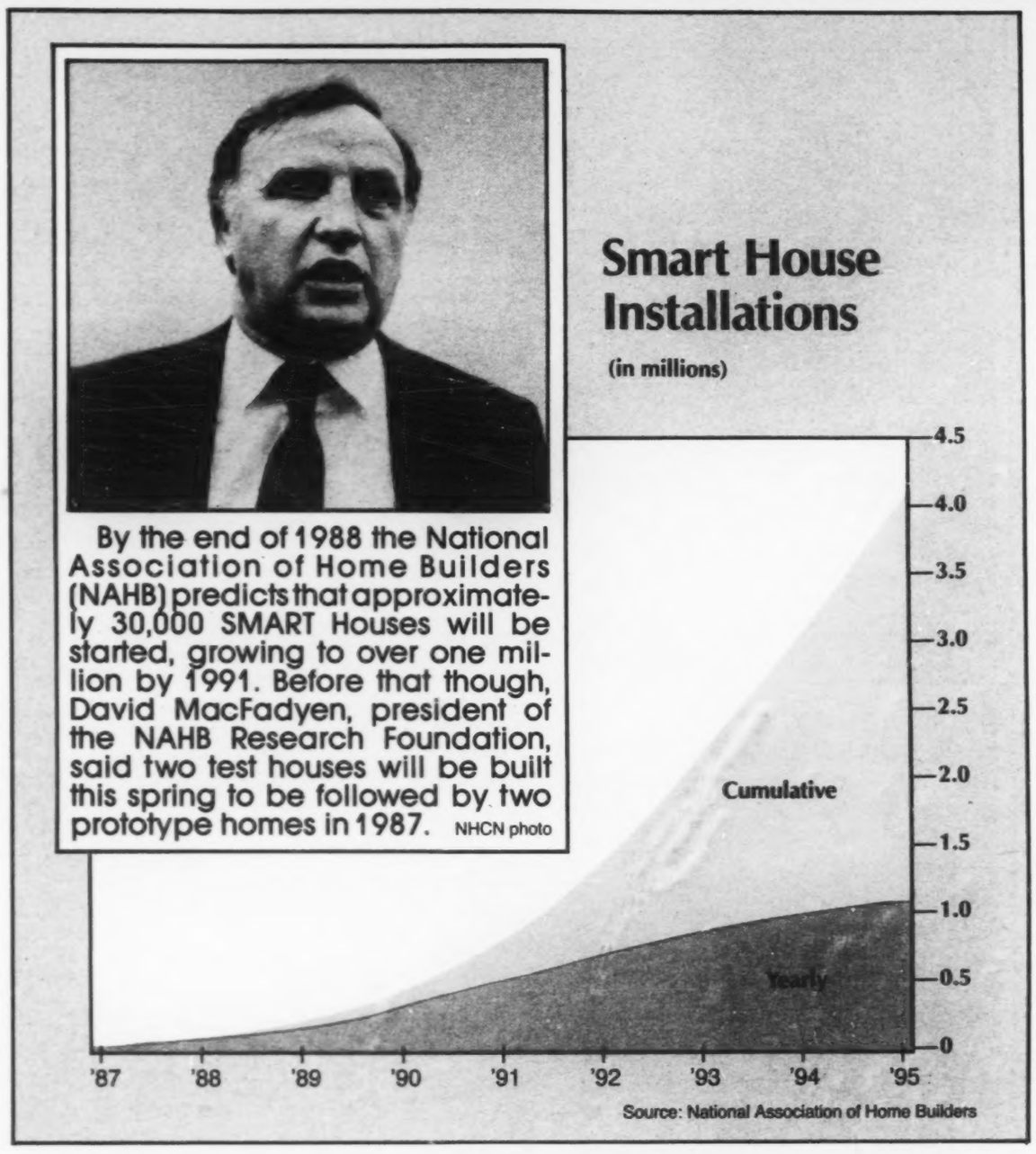
The NAHB calculates that a 20-year transition period is needed for SMART House.

By the end of 1988, approximately 30,000 SMART Houses will be started, growing to over one million by 1991, he added.

Before that though, David MacFadyen, president of the Research Foundation, said two laboratory or test houses will be built this spring in Bowie, Md., followed by two prototype homes, one gas and one electric, built in 1987 at the same Bowie site.

Consumers will be introduced to the SMART House in early 1988, through a variety of channels including demonstrator homes built in 30 different markets across the country.

By the end of 1988 the National Association of Home Builders (NAHB) predicts that approximately 30,000 SMART Houses will be started, growing to over one million by 1991. Before that though, David MacFadyen, president of the NAHB Research Foundation, said two test houses will be built this spring to be followed by two prototype homes in 1987. NHCN photo



SMART House wiring technology has been in the development stages since fall 1984. It was approved in December 1985 for inclusion in the National Electric Code effective January 1987.

Nationwide training programs for contractors and installers will be concurrent with final product evaluations, also scheduled for next year.

SMART House technology will add 10%, or between $2,000 and $3,000, to the wiring costs of the first 3,000 to 4,000 homes, Geremia commented, but only $500 to $600 after that. In many areas of the country, basic wiring includes some to all of the kitchen appliances. If a manufacturer wants its products in SMART House homes, its appliances will have to be compatible.

Compatability is the key benefit to this technology, its sponsors say. Through its use, there is a standard design system for the development of new products that can communicate or be controlled by the system's controller, or central unit.

Adaptors for traditional appliances will be available at retail, although no system of distribution has been established yet.

SMART House uses a closed loop system for the distribution of electric power, which requires the applicance that is plugged into the wall to communicate via a microchip with the system's controller. Then, the proper type and amount of power needed to operate the specific device can be supplied.

The system continually asks the device if it is working properly and receiving exactly the amount of power it needs. So long as the device keeps responding that everything is fine, power will continue.

If a device's circuit wiring is faulty, unplugged, cut or frayed, or if it develops a malfunction and the system's controller receives a different signal than the one it is supposed to get from a particular appliance, the system ceases to supply power.

For example, when a toaster is plugged into the wall it tells the system it is a toaster and exactly what kind and how much power it needs to operate efficiently. If the appliance asks for too much power for the operation, power stops. Likewise, if a finger is inserted into wall socket, the person will not receive a shock because there is no appliance transmitting a signal for power.

No master control is necessary in this system, officials say. The technology can be accomplished through "distributed intelligence," or decentralized control. The appliances control the situation.

SMART House officials note that the technology actually makes the house safer than conventional wiring because of substantial reduction in shock and fire hazards; its use of simplified electromechanical appliances and expanded communications, automation, home security and personal health applications.

In addition, sponsors note that the system results in less costly metering and monitoring of natural gas, electric power and water utilities. There is also a backup system.

This system also protects against voltage surges, electromagnetic and radio frequency interference, and even power loss through switchover to an alternate energy source such as to a battery backup system, an on-site, gas-fired generator or a photovoltaic system, its sponsors note.

SMART House also features appliance/devise interaction. If the roast in the oven is almost cooked, a signal can appear on the television screen.

Eventually, SMART House enthusiasts at the NAHB noted, the technology may include speech or synthetic speech recognition, measure body heat, motion, listen for respiratory sounds, or recognize spoken requests for assistance to aid the handicapped, elderly, children or infirm.

Floor plan tops survey of features home buyers look for

NATIONAL REPORT — What sells a home? Features, answered consumers in a national survey conducted by the National Association of Home Builders (NAHB) called "Decisions for the 90's." And the more of them the better.

But what exactly is preferred in a home varies among regions of the country and to which home-buying segment consumers belong: first-time homebuyer, described in the survey as people under 35; the move-up buyer, who is generally between 35 and 55; and the elderly buyer, people over 55.

According to the survey, amenities such as fireplaces and a large backyard, are most important to the first-time and move-up buyers. But upgrade buyers also place a lot of importance on a spa and a hot tub, more so than do either the first-time or elderly buyer.

The elderly buyer, however, considers a brick exterior, carpet and paint quality, central air conditioning and close proximity to shopping areas to be more important house features than do the two younger groups.

Home energy features are are also most important to the elderly buyer. Almost three-quarters of these respondants said energy features are important to them compared to 72% for the move up buyer and 67% of first timers.

Particularly important to the over 55 homeowner is a security alarm system, 78%, compared to 50% for the move up buyers and 42% of the first-timers.

The survey, the second for the NAHB, was based on interviews with 920 consumers from across the country, 77% of whom already own and live in a single-family detached home. Over 70% of those polled said they prefer a suburban location compared to 10% who said rural and 14% who favor living in the inner city.

Seventy-seven percent of the respondants reported that they were either married or married with children. One third of them earn between $25,000 and $35,000 annually. Another 22% earn between $35,000 and $50,000.

The consumers said they prefer a home about 1,838 sq. ft. although about 40% of the respondents said they would much rather have a home with more than 2,000 sq. ft. In the last survey, done in 1980, the median size of the preferred home was 2,163 sq. ft, according to the NAHB.

First-time buyers are the most willing to compromise on features in their effort to get into a house. But rather than settling for a smaller house, first-time buyers revealed in the survey that they would prefer to buy an expandable home, whereas only 44% of the move-up buyers and 19% of the elderly said so.

The move up buyer is the consumer least willing to compromise. Only 17% of them said they will sacrifice amenities in their house for affordability compared to 23% of first-time homebuyer and 23% for elderly.

The first-time buyer, although willing to compromise, does have a long list of desired features he wants for his home, among them ceramic tile on his kitchen counters, custom cabinets, hardwood floors, bay windows, a wet bar, fireplace and skylights. According to the survey results, 23% of the first- time home buyers want ceramic tile on their counters compared to 15% for move ups and 8% for elderly. His

(Continued on page 26)

Perspectives

cover story

Features consumers look for when buying a home

(per cent of respondents rating category very important)

Feature	1985 Survey
Floor plan/layout	81.3%
Quality of paint	74.1
Quality of floor carpeting	73.6
Two-car garage	69.9
Room-size	65.7
Central air-conditioning	64.3
Quality floor tiles	60.4
Layout of development	41.9

According to a recent National Association of Home Builders survey, today's homeowners find eight features very important to them in a home. In addition to these featuers, homeowners also commented that they want a three-bedroom home with between two and two and a half bathrooms.

Source: National Association of Home Builders

Consumers eye homes features

(Continued from page 22)

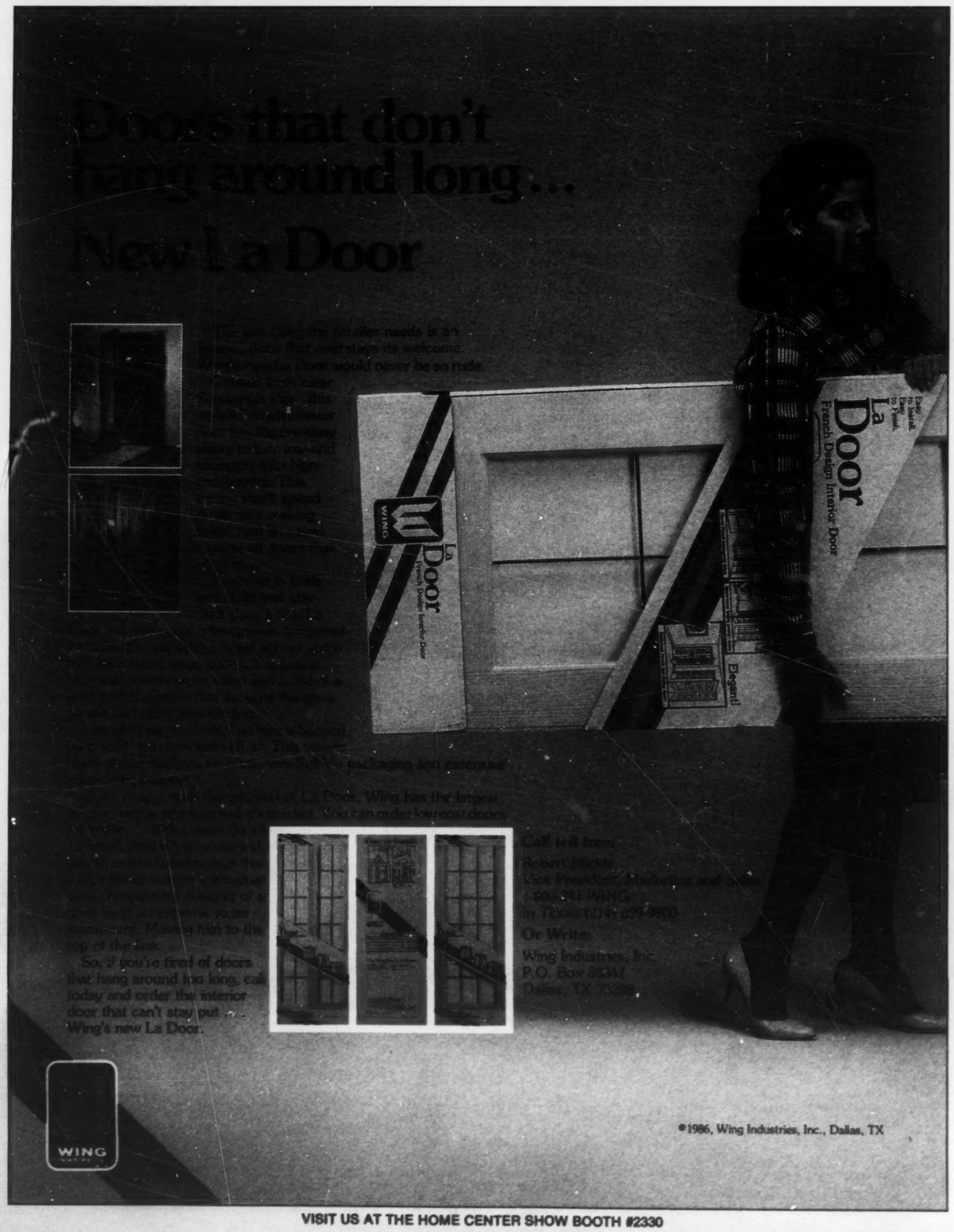
other "wish list" items follow the same two-to-one ratio compared to the other two groups.

What all three groups share is their belief that a single-family home is the best hedge against inflation. And all three groups noted that they are very willing to spend extra money on more insulation for their home to make it more energy efficient, the survey revealed.

In fact, about two-thirds said they are very willing to pay for extra insulation and half are very willing to pay for thermal pane or storm windows. Survey results revealed that consumers are very willing to spend $500 extra for more insulation. And the move-up buyer is the most willing to do so, 73%, compared to 59% of the elderly buyers and 58% of the first timers. More than half of all consumers said they also would be willing to spend more than that, an extra $1,200 to $1,500 for thermal pane windows.

In general, half the respondents said they prefer brick on the front exterior of their home compared to 14% for stone. Brick is also preferred for siding by 48% of the consumers, compared to 13% for wood, 12% for aluminum and 12% for vinyl.

Within the next 12 months consumers in the survey reported they have very few DIY projects planned, an issue Gopal Ahluwalia, assistant staff vp and director of research at the NAHB, said is currently being studied. But those who do plan a major addition or alteration project list among them finishing off a basement or recreation room; changing the roof; remodeling the kitchen; and adding a deck. Among those respondents, the first-time home buyer is the one claiming he has the job planned. Among the jobs he is most likely to do in the next year are finishing the basement or recreation room, reroofing the house, remodeling the kitchen, changing the water heater, and adding a deck.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First home buyers would forgo luxuries

DALLAS — Although more home buyers than ever before are stressing the importance of amenities in their homes, many consumers, particularly the first time home buyer, noted that they would sacrifice some of these items to afford the house, according to consumer responses in the report entitled, "Decisions For the 90's," released by the National Association of Home Builders.

What consumers noted, however, is that they are less willing to compromise with the size of the home, but would opt for an expandable home, one they could grow into and fix according to their means.

According to the survey, only 36% of the consumers polled would opt for a smaller house compared to 54% who responded that way in the NAHB's 1980 survey. But 32% of the respondants said they would prefer an expandable home, up from 25% five years ago.

In fact, 51% of the first time home buyers noted they would accept an expandable home to make the house more affordable compared to 44% of the upgrade buyers and 19% of the elderly home buyers.

After that compromise, both 23% of the first-time and the elderly buyers said they would accept fewer amenities in their new house. But the move-up buyer was less inclined to compromise on this issue. Only 17% of the upgrade buyers said they would accept fewer amenities in their new home to make it more affordable.

The upgrade buyer would sooner have a smaller house, 31%, than lose the specialty features, the survey noted.

Perspectives

merchandising

Window sales hinged on energy savings, new styles

NATIONAL REPORT — Last month, one of Payless Cashways' stores in Ohio took an order for $5,000 worth of cladded windows. While the dollar amount of this sale was unusual for the Kansas City, Mo.-based chain, it was indicative of the kind of expenditures consumers nationwide are making for windows.

"The big ticket sale of upscale windows is a small, but growing, segment of our business," said Phil Rogers, Payless' senior commodities product manager.

More retailers are finding that their retail and contractor customers are gravitating towards the better-quality window that offers energy efficiency, a more stylish architectural design and other properties that, until recently, weren't available except on the most expensive windows.

From chains like Pergament Home Centers, which will take windows on for the first time this year, to Menard Cashway, which has one of the more extensive window departments in the industry, home center chains are expanding their window lines with the goal of getting a greater share of what, for most dealers, can average out to be a $1,500 to $2,000 purchase per customer project.

However, some dealers and suppliers question the DIY applicability of windows. Indeed, as much as 65% of all windows sold at retail are bought by contractors, and only around two-fifths off all windows produced are sold through retail outlets, according to manufacturing sources and Census Bureau data.

In addition, as more sophisticated windows with complex shapes and energy-saving features enter the market, some in the industry question whether home centers have adequately-trained personnel to explain price and quality differences to consumers.

Nevertheless, it appears that more dealers are expanding their lines and, in some cases, beefing up their in-store inventory of windows, to become better window specialists.

"There is no question that retailers have not only been successful selling windows but extremely successful," said Richard Stout, manager of marketing support services for Andersen Windows, the Bayport, Minn., supplier.

Regional differences

The market for windows, in terms of consumer preferences for framing, glass and price point, still breaks down geographically. Lower-end double-hung wood windows continue to thrive east of the Mississippi River; casement windows (which swing out horizontally) are selling well now in the Midwest and Southwest; aluminum windows are more prevalent in the West and Southwest, as are architectural designs such as roundtops, arches, octagons and curvelinear models that, less than five years ago, were hard to find in stores.

A large midwestern chain, whose window sales increased 23% in 1985, has been having a lot of success lately selling low-maintenance aluminum and vinyl clad windows, as well as decorative and energy-efficient units.

"As people are renovating homes that are downsized, they are looking to do more with windows to give the house an appearance of more space," said this chain's merchandise manager.

This retailer noted that consumers buying cladded windows (vinyl or aluminum coverings, applied mostly over wood frames) can expect to pay as much as 20% to 25% more than for conventional windows, and that when energy-saving glass is requested, the cost goes up another 15% to 20%. "But people appear willing to spend that kind of money to improve their homes," he said.

The "Low E Revolution"

Dealers and suppliers agree that consumers have become far more energy conscious, and are seeking out better-grade "high performance" windows to cut down costs.

The market for storm and double-insulated windows has grown significantly in recent years, and appears primed for further expansion, according to a recently-released survey by the National Association of Home Builders (NAHB).

Having polled its members, the NAHB found that nearly three-fifths of consumers were "very willing" to pay extra for added insulation, and close to half said they would pay more to install either storm or thermal windows.

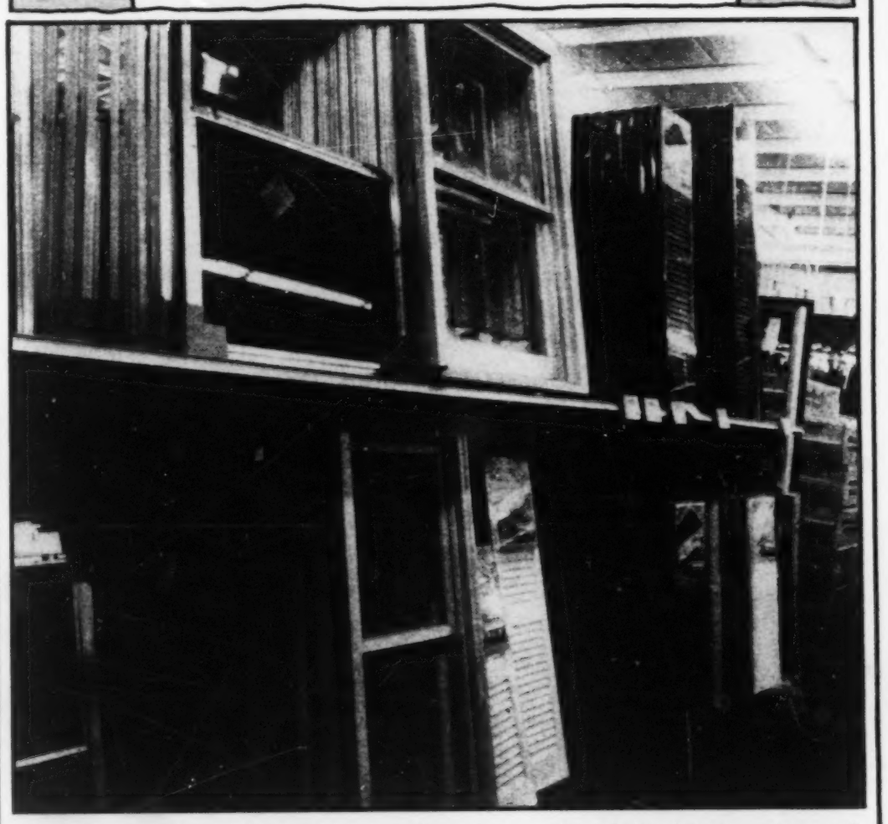
Couple this with the fact that several of the major glass suppliers–which include PPG Industries and Ford Glass in Detroit–have made major advancements in heat reflective technology, and are bringing out high performance energy

(Continued on page 38)

Residential window market

Total demand (in mil. units)*	1978	1985
—New construction	20.3	16.0
—Repair/remodel	12.4	14.0
Frame material mix (% of total demand)*		
—Aluminum	52.0	43.0
—Wood	37.0	20.5
—Vinyl-clad over aluminum	n/a	6.0
—Vinyl-clad over wood	n/a	10.0
—Vinyl	n/a	9.0
—Steel	5.0	2.0
—Other	6.0	5.0

*Sources: National Wood Window and Door Association, Chicago; LSI, Crofton, Md.; *NHCN* chart



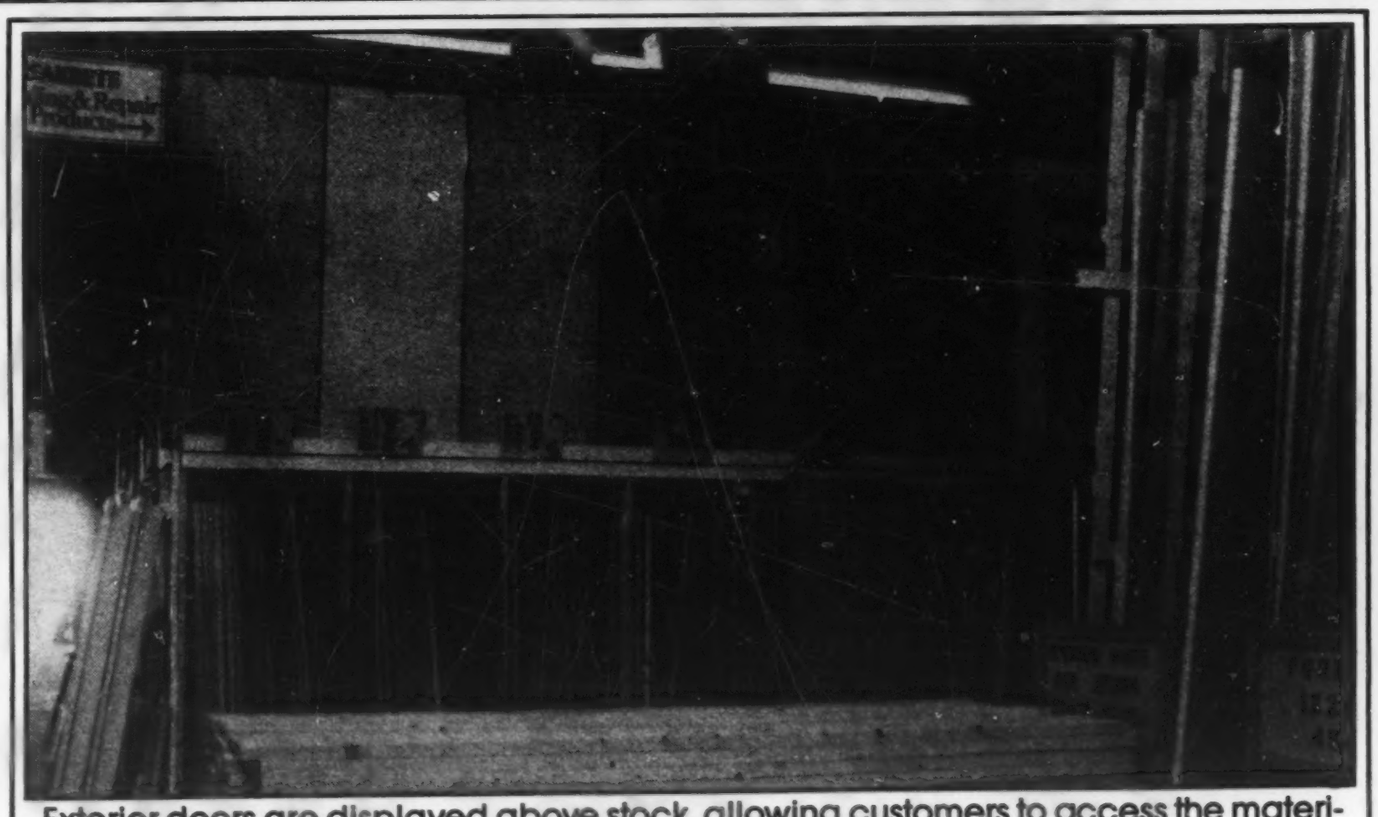
At Moore's unit in Roanoke, Va., double-hung wood windows and storm window frames are cross merchandised with shutters. More dealers are stocking a wider variety of window styles and energy-saving models to increase sales and margins in this commodities category. NHCN photo

Door market swings open with increased exposure

NATIONAL REPORT — When Jim Carpenter Lumber holds a grand re-opening for its completely remodeled Madison, Va., store this spring, one of the more arresting changes will be the new way doors are displayed toward the back of the store.

While most home centers display doors in long rows without the benefit of much tie-in merchandise, this $8 million outfit has set up its doors along a back wall, where customers can see them in conjunction with siding, windows, and other related merchandise.

"What we wanted to do is display as many exteriors as we could, and then label the colors, so the customer can say, 'I want that door, that siding, and that color,' " said Sonny Miller, manager of the company, which is owned by the Lester Group, Martinsville, Va. "And we want our custom builders to send their customers in to see the doors in use, in a natural environment."



Exterior doors are displayed above stock, allowing customers to access the material immediately, at Gee Lumber, Chicago. NHCN photo

Higher in-store profile

The fact that some 85% of Jim Carpenter's trade comes from contractors illustrates the extent to which the romancing of the American door has reached the floors of the nation's building materials outlets. Home centers are positioning exterior doors in environments that either make them more visible or present a number of new options in ways that make them more understandable to consumers.

Examples of such new features include center-hinged patio doors, adjustable frames, and leaded glass inserts. Pease Industries, the Fairfield, Ohio, manufacturer of doors, introduced removable security astragals (a projecting strip on a folding door) for the first time last year. Therma-Tru, the Dallas supplier, has gone to market with fiberglass doors that attempt to offer the warm look of wood with the low maintenance advantages of steel.

Home center operators who are turning their attention to their door departments cite as the primary motivation, a growing eagerness to buy on the part of their consumers in the category.

"Consumers right now seem to be upgrading their doors," said Dwight DeLong, vice president of Handy Andy, the chain of 16 stores based in Gurnee, Ill. "Probably the next category to get their attention will be win-

(Continued on page 40)

Perspectives

merchandising

Window sales hinged on energy savings, new styles

(Continued from page 31)
windows suppliers say are far superior than what was offered but a few years ago.

The "Low E" (for emissivity) window, on which a special coating is applied to the pane to increase its R-value and cut down on heat leaking from inside the home, is the new buzzword in the industry, with many of largest suppliers predicting that Low E will alter the way windows are made and sold.

This new technology "is going to change the industry," said Susan Marvin, vp-sales and marketing for Marvin Windows, Minneapolis. Roger Stremer, national product manager for Crestline, the Wausau, Wis., window maker, went so far as to say that this "second generation" of high performance windows could, in time, "completely replace double-insulated on the market, they are that good."

In addition to improvements in the shielding, manufacturers have also come out with windows that have argon gas injected between the panes for even higher energy savings, and "Therma-Break" frames, (an aluminum frame cut in two, and adhered together with a polyurethane resin that keeps the metal from getting cold).

Expert in-store selling a key

With all this sophistication, style and technology entering the market,the question is whether retailers have the expertise to instruct consumers about the differences in the products.

Stout of Andersen claims that dealers have done a good job promoting his company's more expensive and sophisticated fare. But Marvin of Marvin Windows was less sanguine about dealers' marketing abilities.

"We have over 5,000 standard windows, each with 5 to 15 options, plus custom millwork, so we need highly-trained people to handle the complexities of the sale."

Because of the inventory and selling demands required to be a complete window retailer, a good number of dealers carry windows only on a special order or drop ship basis. "I don't think the window is a DIY product, " said Jim McAloon, a buyer for the 26-unit Edward Hines Lumber in Chicago, which is dropshipping windows to job sites from Andersen's two local distribution centers. "If you have a really good salesman, you can sell Low E, but most salespeople just don't have that level of expertise."

Where the selling skill exists, though, dealers' window sales have flourished, as at the four-unit Buford White Lumber Co. in Shawnee, Okla., where buyer Dale Montgomery has succeeded in increasing the chain's sales of Therma-Break windows that cost 30% more than bronzed-insulated units, Buford White's best seller.

"I kind of push the high- end and for the person looking to spend some money, I have had no trouble stepping him up to the better window," Montgomery said.

However, this chain is handling all orders for clad, wood or decorative windows on a drop ship basis because 60% of its orders from these come from contractors, "and we have easy access to supply," he explained.

Price still a factor

With all the time retailers are now putting into the merchandising and selling of better-quality, higher-end windows, it is ironic that, in most markets, windows as a category are heavily footballed commodities, even at the loftier price points.

For example, Menard's, the 27-unit chain based in Eau Claire, Wis., recently was offering windows in a "40-40-40" promotion, in which the customer puts 40% of the cost of the sale down, gets 40% off and gets the windows in 40 days.

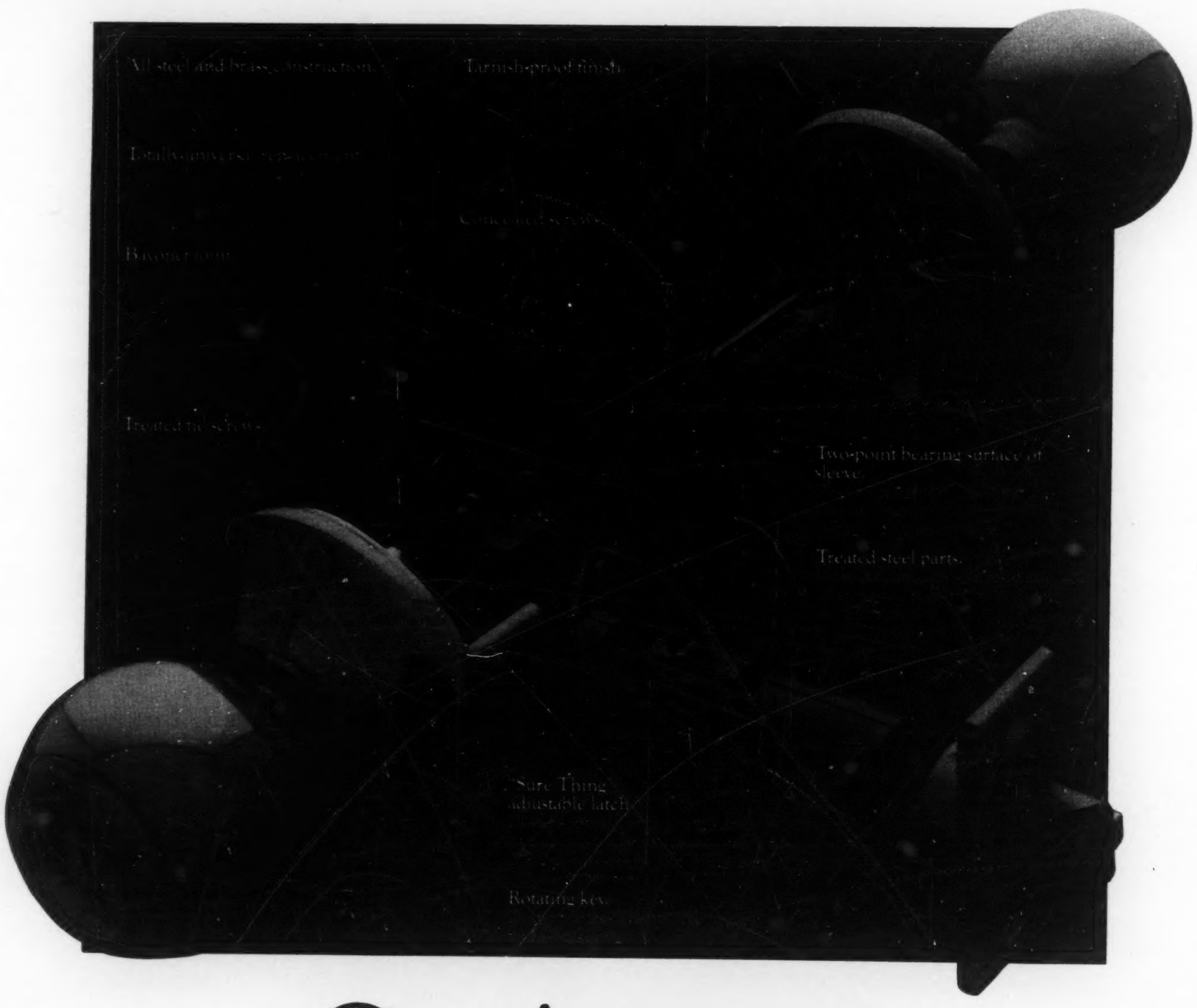
In California, the 19-unit National Lumber, based in Fountain Valley, has been getting more sales from insulated windows, but margins have been slim in the category because the discounting in the market is so severe.

"Virtually every chain out here has a big window selection, and it's very competitive," explained Bob Merson, National's buyer. "We have windows on sale all the time, and margins are generally in the low teens."

Not all retailers agree that the only way windows can be sold are on promotion. The merchandise manager from the midwestern chain spoke derivisely of the "retailer mentality that thinks the only way to sell something is to give them away," and insisted that deep discounting isn't necessary "if you have people on the floor who know how to sell windows."

Rogers of Payless agreed. "We'd much rather take a single window and have a sharp price point than discount the whole department," he said.

The chain currently is getting 20% of its window sales from bronzed insulated units that can be twice as expensive as conventional aluminum models. Rogers said the chain would be attempting to sell more of the better margin fare, where he saw "most of our growth opportunities in the category."



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Perspectives

merchandising

Door market swings open with increased exposure

(Continued from page 31)

dows."

DeLong pointed to the need for consumers to bolster the energy efficiencies of their homes, and their growing competence in DIY activities, as the two forces converging into greater demand for doors today. "When they walk by their doors and feel the cold air coming in, they know that energy is being wasted," he said.

Dealers expand their mix

If consumers are more aware of their ability to install doors, they also seem to want the more luxurious looking units, and the variety of new features, that manufacturers are offering. In response, home centers are introducing new stock keeping units in the department. Handy Andy, for example, quadrupled its selection of doors in the past year, mostly in the upper end. And it also introduced fir doors from the West Coast last year. The chain now offers nearly 50 sku's of steel doors, and 10 of wood.

"The problem that we had before is that we didn't offer enough selection," said DeLong. "When we made the decision to offer more of a selection, the market went for it."

Independent sees success

Montgomery Builders Supply, an independent with $6 million in sales and based in the eastern Pennsylvania town of Grove City, is yet another example of a retailer that enjoyed a boost in sales when the selection of door sku's was deepened and the display enhanced.

Last year the retailer increased its sales of exterior doors by some 25%, to 1,000 units. One of the most successful of these new offerings was a door that offered adjustable jam jacks, making the unit much easier to install by the consumer.

James Crow, the company's general manager, attributed the increase directly to a boost in the number of door styles on display from six in 1983 to a total of 15 in 1984. At the same time, the store covered the green walls surrounding the door display with more attractive paneling, and ripped out the carpet and installed parquet flooring.

Signing aids installation

To help the shopper maneuver mentally through the new array of door options on display, Crow mounted a helpful sign. "The sign has options that the shopper should look for when purchasing a new steel door," said Crow.

Similar steps taken

Other home center chains said they were taking similar steps to deepen their selection of doors. Many said that there was a need to provide a good-better-best selection of the merchandise. The more inexpensive price points have gone as low as $28 in some outlets. The middle range has been reported at around $100 to $200, while the upper end door can clock in at $500 to $600. Some are available at prices ranging up to $1,500. Home center operators around the nation have said that gross margins on the item range from 20% up to 35%, depending on regional market pressures.

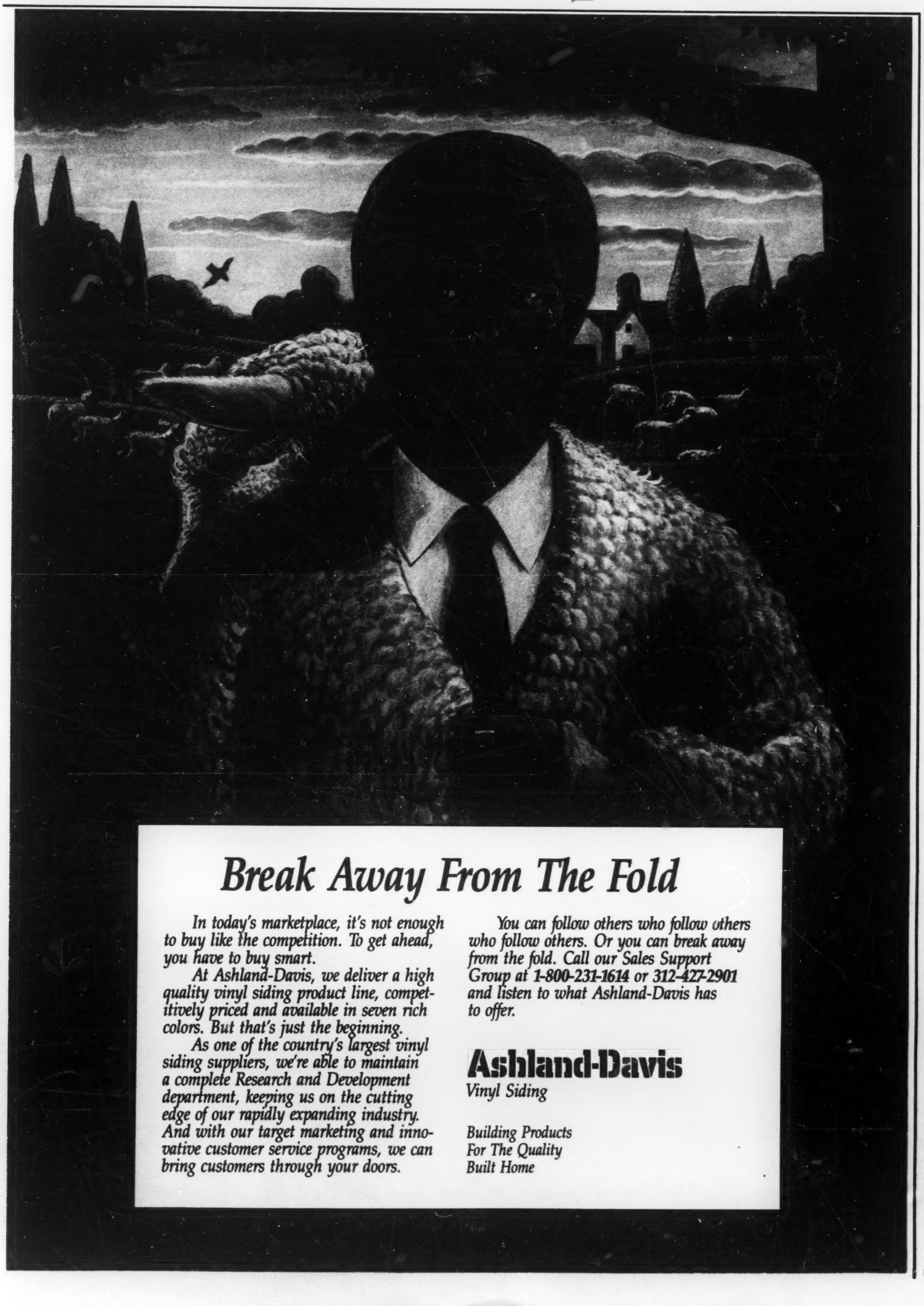
Handyman, the chain of 53 stores based in San Diego, took on a new line of three-panel patio doors last month to meet the perceived shift in the local market toward better looking wares. Bob Galant, the chain's merchandiser for decorative products, said that the new doors seem particularly suited for the new housing going up in the area.

"The low interest rates are fueling more housing," said Galant. "And when consumers build new homes, they want them to look decorative."

O'Malley's, the chain of 19 units based in Phoenix, Ariz., also broadened its selection of door price points last year, but in this case the desire was to cater to the low end of the market.

Imports increased

"We started buying imported doors for the first time last year," said Bob Eastvold, buyer for the category. Prior to taking on the new price point, the most economical doors at O'Malley's sold for $100. The new selection from Taiwan sells for $49 at regular price, or $37 on promotion.



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Evans creditors accept bank plan

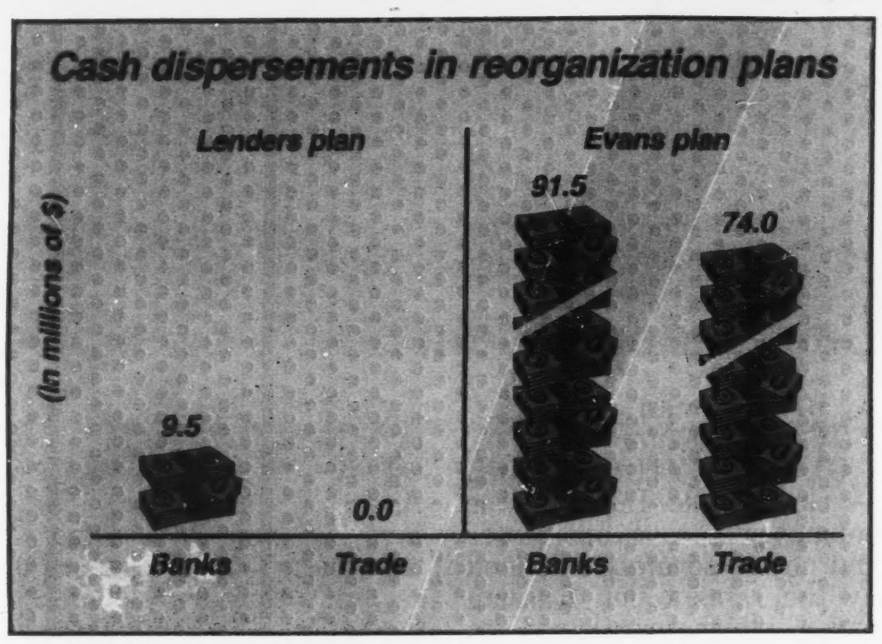
Two plans differ on cash payment

By an NHCN staff editor

MIAMI — The differences between the company and lender plans in the Evans Products reorganization center around the amount of cash being distributed to the company's creditors, the financial instruments being used to raise capital to pay the debt, the allocation of control over the reorganized company, and the remuneration of current stockholders once the company is reformed.

In Evans' proposal, $186 million in cash will be distributed to its various creditors a

(Continued on page 234)



The Evans trade creditor committee chose the lender reorganization plan, which provides trade creditors no cash payment, over the company plan, which offers $74 million, because of uncertainty about how the cash would be raised. NHCN chart

Trade committee rejects Evans plan; distrust of Victor Posner cited

By John Caulfield
NHCN staff editor

MIAMI — The 14-member retail trade creditors committee participating in the Evans Products bankruptcy proceeding voted on Feb. 19 to accept the plan for reorganizing the company that was constructed by Evans' bank lenders.

In choosing that proposal, the trade creditors committee rejected the plan submitted by the company, which filed its disclosure statement for that plan just 14 days before the trade's decision.

Suppliers who sit on the trade committee and their counsel declined to comment about the decision.

But the collective vote of the committee came as little surprise, as its members, over the past several months, appeared to be aligning themselves more closely with the banks over the plan for reorganization. In fact, in a filing made with the Bankruptcy Court here last year, the trade creditors committee, in essence, said that the banks were more likely than the debtor to come up with a proposal that had the best inter-

(Continued on page 234)

Ex-chairman of ITT latest player in battle to buy Grace retail div.

By Brad Altman and Milford Prewitt
NHCN staff editors

NEW YORK — Harold Geneen, the former chairman of ITT, is the latest name to surface on the list of candidates interested in buying W.R. Grace & Co.'s retail empire.

Sources said Geneen has bid to pay $700 million for the 660-unit specialty store and home center retail group, which was placed on the selling block Dec. 10, 1985.

"We know Geneen is planning to make an offer because we have all talked to him," said one Grace home center division executive. A Grace corporate spokesman would not comment. Calls to Geneen's office were not returned.

If Geneen's offer is accepted by Grace, it would quash the hopes of executives at several Grace home center divisions who have signed letters of intent expressing their desire to pursue possible leveraged

(Continued on page 233)

Sears readies 1986 rollout of 50 Paint & Hardware stores

By an NHCN staff editor

CHICAGO — After nearly three years of testing and refinement, Sears is set to roll out 50 new Paint & Hardware stores in 1986, with plans to add 50 units a year over the next several years.

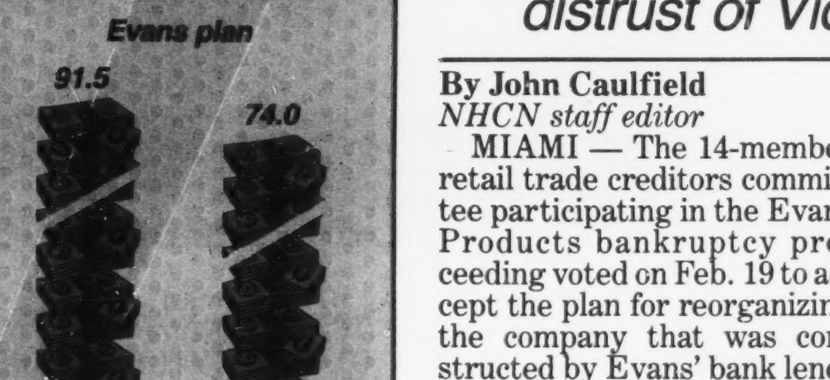
In addition, Sears is simultaneously planning to open 50 of its smaller, 10,000 to 15,000-sq.-ft. department stores in which paint, hardware and electricals are integral product categories.

Both developments promise to significantly bolster Sears' position in the retail paint and hardlines business, which has come under increasing attack from a growing number of home improvement retailers.

Initial plans call for opening the Paint & Hardware stores in selected major metro markets.

Currently, Sears operates 12 P&H units, nine in the Chicago market alone. The

(Continued on page 233)



John Parsons, vice president of [illegible] group, pictured in one of the c[illegible] that the company would look to [illegible] and add clusters of Paint & Hard[illegible] year. *[illegible]provement [illegible]cago units, said [illegible]tne Chicago market units in five cities this* NHCN photos

Lowe's upper ranks revamped as chain moves past $2B mark

By Laura Liebeck
NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's Companies, the 282-unit home improvement retailer based here, recently restructured its corporate management to facilitate future growth, make way for its next generation of top executives and provide for an orderly management succession.

There were three major changes that combined make Lowe's a more traditionally organized retail operation.

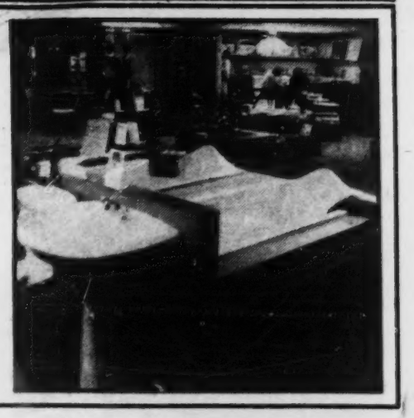
Store operations and sales and merchandising, which were separate organizations, were linked under the leadership of Wendell Emerine, now executive vp in charge of that department. He was promoted from vp-store operations. (*NHCN*, Jan. 13, 1986).

The real estate and expansion department was reactivated, a move that emphasizes its importance at Lowe's and signals its revived role in

(Continued on page 233)

[illegible]ctives cover [illegible]port tide turns [illegible]uality—With [illegible]nd consumer [illegible] for low-quality [illegible]nports falling, dealers are trekking to the Orient and Europe in search of better-grade products to expand their merchandise mixes. **25**

Merchandising: Dixieline launches high-end bath and door program—Dixieline Lumber is offering a new upgraded line of bath, custom hardware and doors, called "Classic Collections," in a 7,000-sq.-ft. showroom in its San Diego unit. **50**



Newsbreaks

FLORIDA, HERE COMES HQ: Home Quarters Warehouse, the W.R. Grace chain of three home centers based in Virginia Beach, Va., will move into its third state this spring in a former Handy City store in Tallahassee, Fla.

STRAIT & LAMP ACQUISITION: Strait & Lamp, a $6 million Hebron, Ohio, independent purchased two Columbus-area yards last month, Fifth Avenue and Linworth Lumber. The purchase is expected to boost the company's revenue to about $18 million.

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Industry Update

Wickes buys last Everitt store

LONGMONT, Colo. — Weyerhaeuser Co. sold its Everitt Lumber unit here to Wickes Lumber, leaving the forest products company with one remaining Colorado home center, in Greeley, a Weyerhaeuser spokesman said.

Last year Weyerhaeuser sold its Everitt Lumber units in Fort Collins and Colorado Springs as first steps in a long-range strategy to end retail store operations.

Pay 'N Pak adds two in Frisco

KENT, Wash. — Pay 'N Pak Stores, Inc., opened warehouse outlets in the San Francisco East Bay cities of San Leandro and El Cerrito on Jan. 15, approximately two months after it held simultaneous grand openings of two warehouses in San Francisco and South San Francisco (*NHCN*, Dec. 16).

The four new units—each containing about 55,000-sq.-ft. sales floors—increase Pay 'N Pak's Greater Bay Area store count to 12 units.

Courtesy to anchor mall

CHICAGO — Courtesy Home Centers will open a second location in Chicago in May—an 80,000-sq.-ft. home center anchoring a 140,000-sq.-ft. strip shopping mall.

Zangwill Munies, president of the chain, said that the effort was a 50% joint venture with his firm and unnamed tenants. The project cost is $7 million including inventory for the home center.

Sales at new Moser unit up 35%

NAPERVILLE, Ill. — Five months after its grand opening, the new Moser Lumber here is enjoying monthly sales gains of 35% over the 26,000-sq.-ft. leased store it replaced, and Moser officials now project the unit's volume this year could hit between $5 million and $6 million.

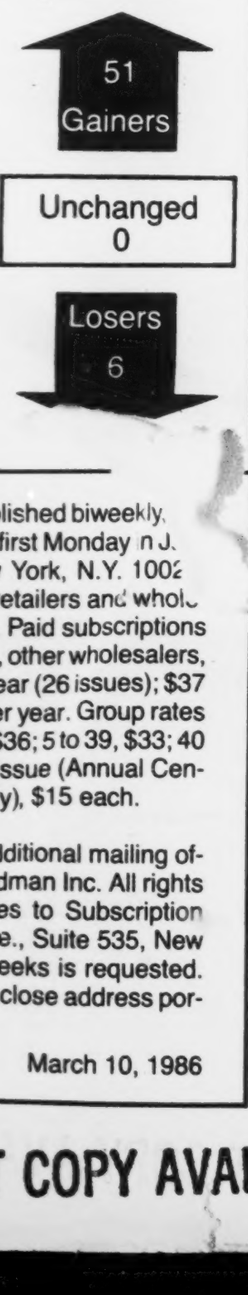
This is the 100th store to convert to the "Do-it" retrofit program of Hardware Wholesalers, Inc., and the first to employ HWI's new "Superstore" concept, opened in October, 1985. The unit is 30,000 sq .ft., with a 20,000-sq.-ft. drive-thru warehouse, and 10,000-sq.-ft. business area.

Grace will exit Utah in May

SALT LAKE CITY — W. R. Grace's only home center in Utah—the Allwood 65,000-sq.-ft. home center in Salt Lake City—is slated to be closed by mid-May, and the facility taken over by a manufacturing company.

Stocks surge;Lowe's gains 6¼

NEW YORK — Home center industry issues continued their impressive surge in late February, as gainers outnumbered losers 51 to 6 on *NHCN's* Home Center Market Summary for the week ended, Feb. 21.



Homecrafters Warehouse was the top performing retail stock in the home center industry, rising by 31.3% to close at $2.63.

Other home center retailers who experienced healthy increases include: Erb Lumber, up 27.8% to a 52-week high of $46; Home Depot, up 21.6% to $14.75; Lowe's, up 21.3% to $35.63; and Wolohan Lumber, up 12.5% to $6.75.

See financial tables, graph, page 232.

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Vol. 12, No. 6 March 10, 1986

Knox LBO scheduled to close in March

By Laura Liebeck
NHCN staff editor

ST. PAUL, Minn. — The ongoing attempt, by Knox Lumber's management, to purchase the company through a leveraged buyout is scheduled to close on March 30, nearly three months behind schedule.

Knox president Richard Miller confirmed that company parent Southwest Forest Industries and the Sterling Group of Houston, an investment banking firm, are "still discussing it [the purchase] and I'm awaiting word."

The definitive agreement to sell the company to a group of investors led by the Sterling Group and which also includes nine Knox executives—a fluctuating number—including Miller, was completed in late January, two months after the principals announced the preliminary agreement on Nov. 25.

The unexpected resignation of Knox vp-administration Glenn Frederickson on Jan 21 complicated the deal.

Frederickson, who was part of the management group attempting to purchase Knox—and who also was part of the ill-fated purchase attempt last summer—told *NHCN* that he changed his mind about the purchase. He said the $29 million price tag plus asssumption of certain liabilities, was "too much" and that the delays worried him. Frederickson also said he was tired of participating in purchase attempts.

Frederickson also said that he was "scared of the transaction and of not having enough money." He charged that the Sterling Group is having trouble securing all the financing— the same trouble Northwest Growth Fund Inc., the investment banking firm, had when it led the purchase attempt last year. The purchase price then was $30 million.

Sterling Group president Frank Hevrdejs could not be reached for comment.

A Southwest spokesman noted that it is still committed to selling the 10-unit retailer headquartered in St. Paul, adding that the delays are because "the purchasers are still working on the financing."

Knox Lumber tallied sales of $118.3 million in 1985, a 7% increase over 1984, Miller reported.

Expansion of the 10-unit company is still on hold until after the buyout, Miller said. Then, he added, Knox will resume its search for another market and the addition of one to two more stores in the Twin Cities.

Calif. independent nearly swallowed by 8-day storm

By Brad Altman
NHCN staff editor

GUERNEVILLE, Calif. — Guerneville Lumber was among numerous businesses and homes severely damaged by the rain-swollen Russian River, which overflowed its banks during a massive winter storm that triggered floods and mudslides throughout California in late February.

"We lost every stick of lumber—and the contents of our main building, which is completely submerged," said William O'Conner, who owns Guerneville Lumber and Ross Road Lumber, a lumberyard in Sebastopol, about 20 miles south of here which escaped the destructive storm unscathed.

While O'Conner began preparations to dig out as floodwaters receded, numerous DIY dealers in rain-struck areas of California were gearing up for an expected increase in business resulting from the violent storm.

At Orchard Supply Hardware, whose 21 units are scattered throughout the rain-battered San Francisco Bay Area, Thomas Thornton, president and ceo, said that in the storm's aftermath he'd seen "a tremendous volume in batteries and we've airfreighted in pumps to have on hand due to anticipated demand."

In Guerneville, a riverfront town where scores of businesses and homes were covered by water, Guerneville Lumber owner O'Conner estimated damages to inventory at about $40,000, adding that the exact property loss had not been immediately calculated. O'Conner toured the site and determined that the main building would be salvageable.

He said the damage at the Guerneville yard was ironic because only last August his lumber inventory was destroyed by fire and restocking had been finished in January.

The Russian River floodwaters rose so quickly, he said, there was no time to move merchandise to higher ground.

"The intensity caught everybody offguard," Ross Road Lumber employee John Mangiafridda said. "The river rose as high as 51 feet—and it reaches flood level at 28 feet."

The flooding was one of the worst consequences of a string of back-to-back storms that brought torrential rain to a wide swath of California over an eight-day period, dumping up to 18 inches of rain in some counties.

The floods and mudslides prompted Gov. George Deukmejian to proclaim emergencies in 12 counties, the first step in applying for federal disaster aid.

Nearly 2,000 homes and businesses were destroyed and nine-storm related deaths and 41 injuries were reported statewide.

"It was like Noah's Ark," said a lifetime resident of northern California. "It rained in buckets."

Highlights in this issue

Perspectives

cover story

IMPORT TIDE TURNS TOWARD QUALITY
The import business isn't what it used to be. Margins have deteriorated and consumers are looking for more than price. *See table of contents —26*

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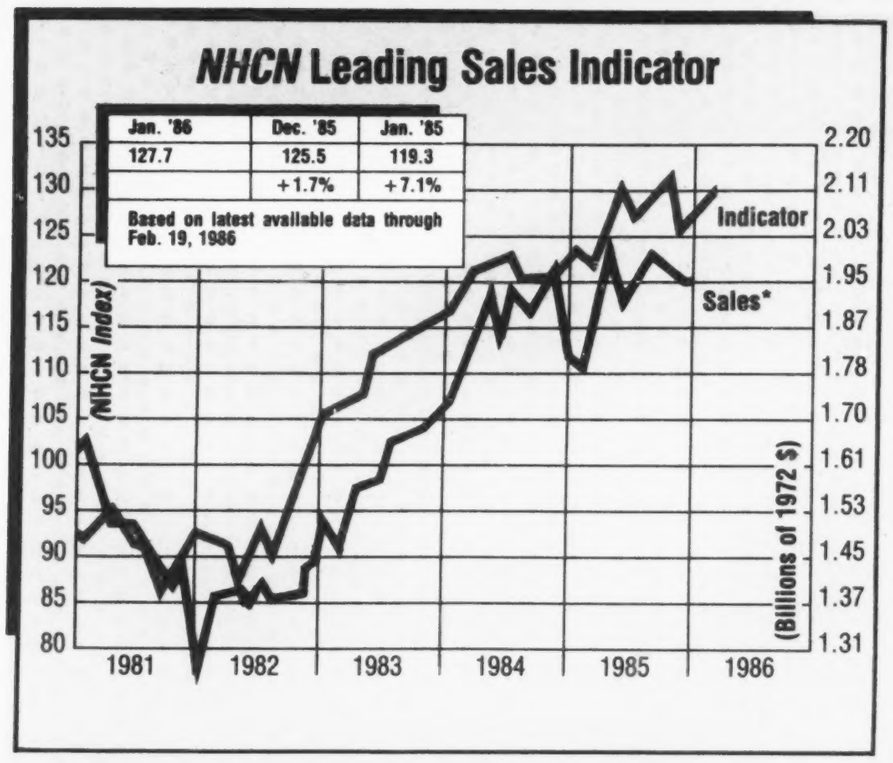
BUSINESS WATCH



*—Monthly retail trade building materials and supplies in 1972$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

Falling oil prices boost U.S. economy; energy intensive regions face trouble

By Richard E. Mount
Special to NHCN

Falling oil prices have begun to help the U.S. economy. Most parts of the country will benefit, but West South Central states are in trouble.

The drop in crude-oil prices will increase consumer income nationally by $15 billion this year, making housing more affordable and debt burdens more manageable. Inflation will go down another 0.6 percentage points putting less pressure on the Federal Reserve to tighten monetary policy, which reduce inflation psychology in the bond markets.

The economy will rise an extra 0.4 percentage points in 1986, as both consumer and business spending recover.

Richard E. Mount

The outlook for building material and supply store sales in real dollars, as a result, is being raised from 6% forecasted last month for 1986,to 7%. In current dollars, sales are expected now to increase 10.5% this year, to $58.7 billion, revised upward from last month's $57.9 billion forecast. Figures do not include sales of hardware stores, which will also benefit from greater consumer spending. Hardware store are forecasted to account for just under $11 billion in additional retail sales this year.

Higher income and lower interest rates mean sharper gains in housing starts and major additions to existing structures, a plus for contractor sales. Rising employment will boost resale and maintenance markets, good for do-it-yourself sales.

(Continued on page 5)

Home Center Industry Regional Outlook

		1985 1Q	1985 2Q	1985 3Q	1985 4Q	1986 1Q^p	1986 2Q^p	1986 3Q^p	1986 4Q^p	1984	1985	1986^p
***NHCN* Leading Sales Indicator** (January 1980 = 100)		120.2	124.3	125.1	123.4	127.5	127.7	127.8	127.9	117.8	123.3	128.8
Building Material Retail Sales												
Current	**Total U.S. ($ millions) SAAR**	**50,468**	**53,012**	**53,248**	**55,772**	**57,024**	**58,289**	**59,258**	**60,182**	**49,774**	**53,125**	**58,688**
	New England	2,504	2,881	3,205	3,463	3,615	3,672	3,692	3,707	2,743	3,013	3,672
	Middle Atlantic	6,183	7,084	7,341	7,730	7,944	8,155	8,225	8,329	6,373	7,084	8,163
	East North Central	7,226	8,531	8,529	8,857	9,044	9,233	9,416	9,611	7,935	8,286	9,326
	West North Central	3,252	3,837	3,805	3,949	4,003	4,063	4,118	4,159	3,720	3,711	4,086
	South Atlantic	11,089	11,073	10,769	11,394	11,656	11,996	12,308	12,524	10,234	11,081	12,121
	East South Central	2,677	2,894	3,027	3,218	3,290	3,410	3,502	3,605	2,723	2,954	3,452
	West South Central	6,199	6,208	5,772	5,878	5,805	5,876	5,855	5,862	6,089	6,014	5,849
	Mountain	2,678	2,589	2,594	2,694	2,749	2,827	2,898	2,955	2,617	2,639	2,857
	Pacific	8,660	8,107	8,206	8,589	8,919	9,058	9,244	9,430	7,340	8,390	9,163
Constant	**Total U.S. (1972 $ millions) SAAR**	**22,284**	**23,484**	**23,690**	**24,567**	**24,870**	**25,170**	**25,335**	**25,475**	**22,623**	**23,506**	**25,213**
	New England	1,106	1,276	1,426	1,526	1,577	1,586	1,578	1,569	1,247	1,333	1,578
	Middle Atlantic	2,730	3,138	3,266	3,405	3,464	3,521	3,516	3,526	2,896	3,135	3,507
	East North Central	3,191	3,779	3,795	3,901	3,944	3,987	4,026	4,068	3,606	3,666	4,006
	West North Central	1,436	1,700	1,693	1,739	1,746	1,754	1,761	1,760	1,691	1,642	1,755
	South Atlantic	4,896	4,905	4,791	5,019	5,083	5,180	5,262	5,301	4,652	4,903	5,207
	East South Central	1,182	1,282	1,347	1,418	1,435	1,472	1,497	1,526	1,238	1,307	1,483
	West South Central	2,737	2,750	2,568	2,589	2,532	2,537	2,503	2,481	2,769	2,661	2,513
	Mountain	1,182	1,147	1,154	1,187	1,199	1,221	1,239	1,251	1,189	1,168	1,227
	Pacific	3,824	3,591	3,651	3,783	3,890	3,911	3,952	3,992	3,336	3,712	3,936
Per Cent of U.S. Total												
Current	**Total U.S. ($ millions) SAAR**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
	New England	4.96	5.43	6.02	6.21	6.34	6.30	6.23	6.16	5.51	5.67	6.26
	Middle Atlantic	12.25	13.36	13.79	13.86	13.93	13.99	13.88	13.84	12.80	13.34	13.91
	East North Central	14.32	16.09	16.02	15.88	15.86	15.84	15.89	15.97	15.94	15.60	15.89
	West North Central	6.44	7.24	7.15	7.08	7.02	6.97	6.95	6.91	7.47	6.99	6.96
	South Atlantic	21.97	20.89	20.22	20.44	20.44	20.58	20.77	20.81	20.56	20.86	20.65
	East South Central	5.30	5.46	5.68	5.77	5.77	5.85	5.91	5.99	5.47	5.56	5.88
	West South Central	12.28	11.71	10.84	10.54	10.18	10.08	9.88	9.74	12.24	11.32	9.97
	Mountain	5.31	4.88	4.87	4.83	4.82	4.85	4.89	4.91	5.26	4.97	4.87
	Pacific	17.16	15.29	15.41	15.40	15.64	15.54	15.60	15.67	14.75	15.79	15.61
Industrial Production												
Index (1977 = 100)	**Brick**	86.6	87.5	91.3	89.0	91.7	92.6	92.4	91.8	83.1	88.6	92.1
	Cement	103.9	110.0	106.5	105.5	103.7	106.9	106.4	106.1	102.1	107.0	105.8
	Gypsum Mallboard	116.0	127.7	129.6	131.2	131.8	132.7	130.1	125.8	119.2	126.1	130.1
	Hardware	102.2	102.7	100.8	101.5	102.6	103.6	104.6	103.3	100.6	101.8	104.0
	Lumber Products	118.1	121.8	126.1	127.1	127.3	128.2	126.9	125.8	119.0	123.3	127.1
	Paint	102.5	106.0	106.2	87.2	103.2	104.7	105.9	107.1	102.6	100.5	105.2
	Plywood	130.7	137.1	145.0	144.2	144.7	145.2	144.8	141.1	129.5	139.3	144.0

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
Feb. 19, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Declining oil prices begin to boost U.S. economy and building material sales

(Continued from page 4)

States and sales territories with a concentration in finance, services or manufacturing-based economies will expand faster than 7% (in real dollars). Sales in mining and agricultural areas will remain weak until 1987, as local economies are weak and resales were soft last year. Sales in regions dependent on oil will be badly hurt.

West South Central hardest hit

Sales in the West South Central region, already expected to be weak, will be poor. The economies in this region depend on oil and gas drilling, and falling oil prices will close marginal operations. In these states, government revenues are tied to oil prices, and budgets are cut when prices are down. The falloff in both mining and government activity will reduce both retail trade and construction this year.

West South Central housing starts and resales were down sharply last year, unfavorable for building material sales. In the early 1980's, home buyers here, expecting good income gains and home appreciation in the future, made minimum down payments and counted on two-income households. By the mid-1980's the building boom created an oversupply in many cities. Mortgage delinquencies have risen even as home prices decline. The reason: inexpensive rentals incourage many home buyers to default and move to apartments.

Texas will be the least harmed oil state in this region, because its economy is diverse. While energy remains a major sector, finance, insurance, health care, education, agriculture and manufacturing—especially of computers—are increasingly important. But the economy is weak. Employment is up 2% from a year ago, but mining employment is down 4%. Unemployment, 6.8% at year's end, will restrict building material sales.

Building material and supply store sales in the state are estimated to have been about $4.1 billion in 1985, 69% of total sales for the region. Resales were up 4% last year while housing starts fell 27%. Building material sales will be down 5% in 1986.

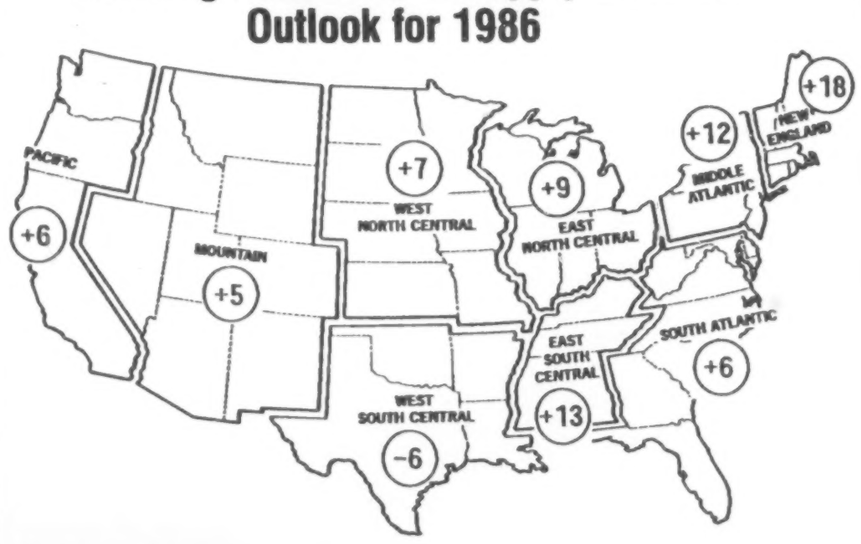
Louisiana lacks the service, finance and manufacturing strengths of Texas, while it has an extensive energy sector. Last year resales fell by 4% and housing starts by 32%. Employment is running 1% behind the pace of a year ago, with mining employment down 5%. The unemployment rate stands at 10.9%. Building material and supply store sales will contract 10% this year.

Oklahoma faces the severest impact from falling oil prices. The state depends heavily on mining and obtains 25% of its revenue from taxes on energy products. The resale market was down 10% last year, and housing starts were off 55%. Employment was unchanged, but mining employment was down 10%. The unemployment rate remained at 6.8%. Retail sales of building materials and supplies will be down 15% this year.

Arkansas is the exception in this region as its economy is based on nondurable manufacturing, especially food products. Resales were up 14% last year and starts rose 5%. Employment rose 1% in 1985 and the unemployment rate has declined to 8.7%. Arkansas' sales of building materials will increase 4% this year.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Ecomomics.

Building material and supply store sales Outlook for 1986



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Merrill Lynch Economics

ColorTile sales up 4.7% in 2Q

FORT WORTH, Tex. — ColorTile, the specialty retailer based here, saw its net income decline 5.1% to $3,243,000, or 34¢ per share, for the quarter ended Dec. 31. During the same period, ColorTile's sales rose 4.7% to $87,158,000.

For the six month period, the 837-unit chain's sales rose 14.8% to $182,173,000, and earnings increased to $6,589,000, or 70¢ per share, representing a 5.9% gain.

During the most recent quarter, ColorTile had an average of 9,418,000 shares of common stock outstanding, slightly above the 9,212,000 shares outstanding in the same period a year ago.

Scotty's Jan. sales rise 8%

WINTER HAVEN, Fla. — Scotty's reported January sales of $35 million, an 8% increase from the year ago period. For the first 30 weeks of the fiscal year that ends June 28, Scotty's sales were up 9% to $265.9 million, from $243.7 million, a year earlier.

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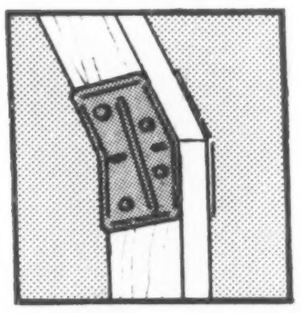

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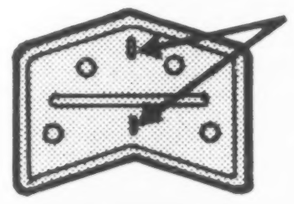

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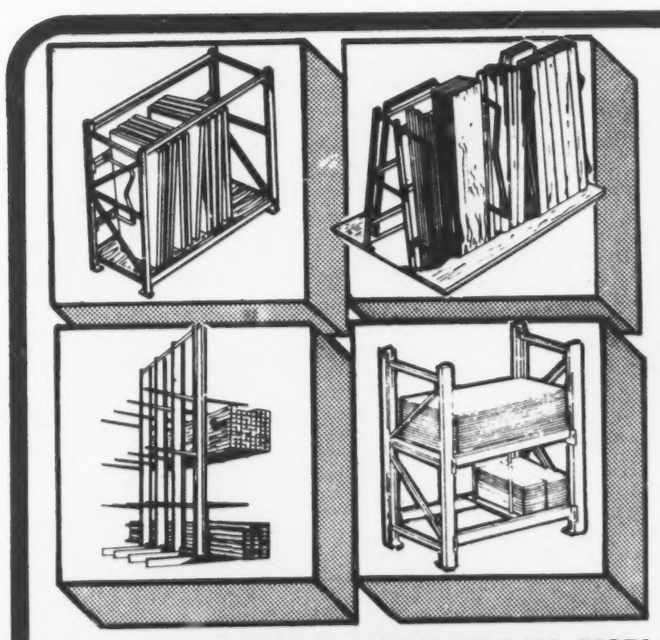

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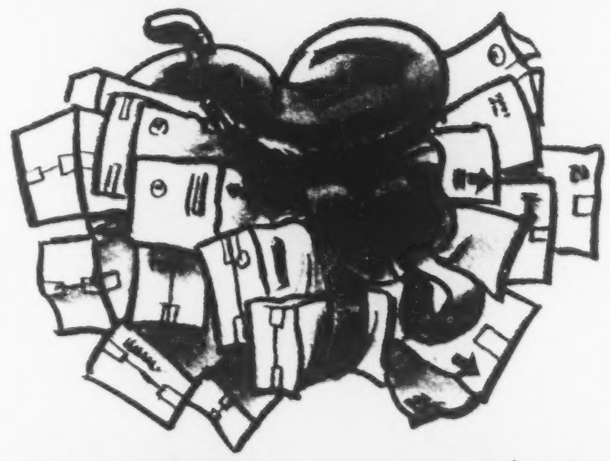

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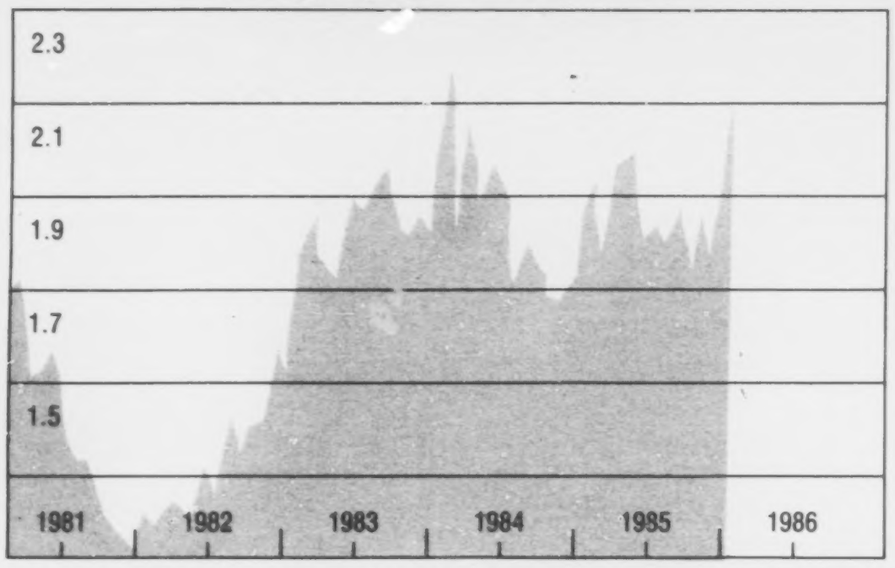
HOUSING WATCH

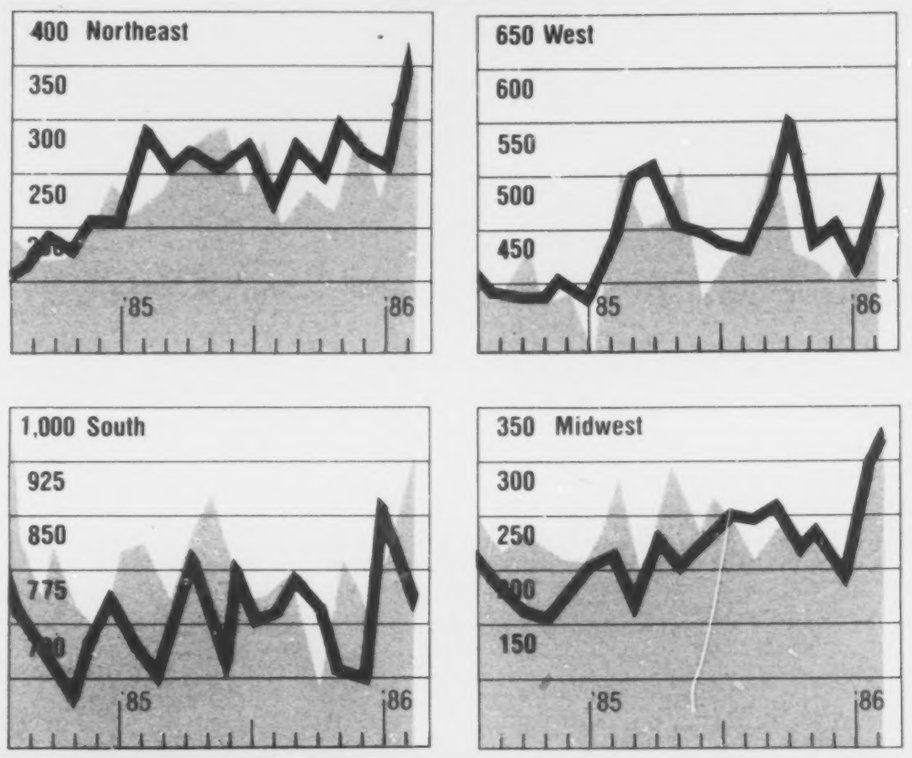
National housing starts and permits
(seasonally adjusted annual rates, in millions)



	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
Jan. '86	2,088	1,807	1,353	1,083
Dec. '85	1,804	1,873	1,087	978
Jan. '85	1,804	1,635	1,039	903

KEY
⌂ Starts
⌂ Permits

Regional housing starts and permits
(in thousands)



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Jan. housing starts jump 16% over Dec.

By an NHCN staff editor

NATIONAL REPORT — Housing starts activity in January totaled nearly 2.1 million units, seasonally adjusted, almost 16% ahead of December's surprisingly strong showing, leaving some housing experts optimistic but cautious about activity for 1986.

"These are seasonal numbers," asserted Dean Crist, research economist with the National Association of Home Builders. "They take into account annual activity. It's only one month and one month doesn't make a trend."

George Sternlieb, director of the Center for Urban Policy Research at Rutgers University in Brunswick, N.J., also noted that January is usually "a very noisy month. Starts are relatively small and the (seasonal) multiplier is high. But it certainly shows promise for 1986."

The NAHB is projecting starts for this year will be 1.622 million units, a number officials there are already saying will soon be revised upward, probably to 1.65 million units.

Housing starts for 1985 were 1.73 million units, according to the NAHB.

Despite the high seasonally adjusted starts, both housing experts noted that the nation's actual housing number for January was 119,400 units, up from 115,000 units in December. The single-family starts number was 72,900 units, up from 65,500 units.

Regional Housing
(in thousands)

	Jan. starts	% chg.	Jan. permits	% chg.
Northeast	352	+28	283	+ 2.5
West	457	+ 2	497	+13.0
South	959	+17	759	−12.0
Midwest	320	+22	331	+12.0

"January in actual terms was an excellent, excellent month," Crist commented.

In addition to the rise in total housing starts, single-family housing starts for January were up 25% to 1.35 million units, seasonally adjusted, with all four regions recording increases. Permits, however, were down by .2% from December, to 1.87 million units, but single-family permits were up nearly 11%, to 1.08 million units, seasonally adjusted.

The South was the only area to record a permit decline in January. The region was down 12% in new permits for the first month of 1986, to 759,000 units, seasonally adjusted. The January number is 8.6% ahead of the corresponding month in 1985. Housing starts here were up 17% to 959,000 units, seasonally adjusted, 18% ahead of January 1985.

Compared to January 1985, housing starts are up nearly 16% and single family starts are ahead by 30% nationwide. Total permits, however, dropped by .2% from last January but single-family housing permits increased by 11% in the one year period.

16

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LUMBER REPORT

EPA sets deadline for voluntary treated wood product warnings

WASHINGTON, D.C. — The Environmental Protection Agency (EPA) has given the pressure treated wood industry a deadline with an implied threat: "do it right or we'll do it for you!"

What the industry has to do is establish a voluntary Consumer Awareness Program through point of sale literature for retailers, wholesalers and contractors that identifies the chemicals in treated wood and the hazards involved if the lumber is worked with improperly.

If the industry fails to convince the EPA by September that their collective effort to distribute the literature has not reached wide enough exposure, the federal government may impose a mandatory rule forcing them to do it.

One of the adverse repercussions of the volunteer plan, should it prove to be ineffective, could be the EPA ordering the manufacturers to stamp their products with a label warning that it contains toxic substances.

"From a marketing standpoint, I can't begin to tell you how distressing that must sound to a manufacturer," said Ward Hitchings, director of government specifications for the National Forest Products Association. "If it comes to that, it's almost like saying that treated wood is some kind of hazardous material, when it's not.

"They've told us if there is poor implementation of the program, they have the authority to make it much more difficult, even insisting on a label on the wood. It'll be just like a pack of cigarettes."

The voluntary agreement comes from an out-of-court settlement reached last September that concludes a lengthy (and deliberately under publicized) environmental debate between the EPA and the pressure treated lumber industry over the chemicals used to preserve wood.

The issue, which has its roots in the Toxic Substances Control Act of 1976 and the Federal Insecticide, Fungicide, and Rodenticide Act, deals with the proper registration for the three key chemicals used to make wood invulnerable from decay and insect infestation, namely, inorganic arsenicals, creosote and pentachlorophenol.

Shortly after passage of the legislation, the industry initiated an expensive legal challenge to the EPA when agency rule makers suggested removing the chemical agents used to treat wood from the environment by cancelling the registration of the substances.

Had the EPA's ban become law, more than 70% of the pressure treated wood industry would have gone out of business, according to George Eliades, president of the Society of American Wood Preservers.

Eliades said the proposal outraged treated wood manufacturers who responded by financing a battery of scientific and medical studies to rebuff the EPA's recommendation. Eliades said the test showed minimal hazards posed by the chemicals in treated woods when properly used.

"What this showed is just the difference between a law and the rules that are made to enforce the law," Eliades said. "This industry has been around for 150 years and there is no record of anybody ever dying from some chemical in treated wood. We have a remarkably clean record.

"I don't think the EPA ever understood that people by and large are not coming into contact with these chemicals the way they think they are."

Nevertheless, the industry is stuck with the EPA looking over its shoulders for the time being until it can be proven that the public at large has been presented with information about wood chemical preservatives.

As the plan stands now, each of the three chemicals that are used to preserve wood will have its own consumer information sheet with standardized language that cannot be edited or altered. Although the companies are permitted to print firm logos and other marketing/promotional text on the sheets, they are not allowed to include any language that contradicts the information about the chemicals.

The way the program works is that treated wood manufacturers will produce and distribute the signs, placards and sheets to their wholesalers and retailers. In turn, the latter group is expected to display the material in prominent areas in their stores to ensure that consumers know the sheets are available.

Each sheet, the text of which fills a regular 8½ by 11-in. piece of paper, contains safety-oriented information on handling pressure treated wood, disposing of it and the site precautions that should be maintained.

For example, in the case of inorganic arsenicals—the most common wood chemical preservative used for decking and fencing in the DIY market—among the do's and don'ts are to refrain from burning the scraps; to avoid cutting the lumber in an enclosed space; to wash hands and face after working with it and to never use the wood for countertops or cutting boards.

"A lot of it is really common sense that you would follow anyway, whether it was treated or nontreated wood," said Hitchings.

Sometime in June, an independent contractor will perform a nationwide "audit" from a questionnaire (currently being written with EPA approval) to assess how suceessful the volunteer program has been. The findings will be submitted to the EPA in September. If the agency finds less than satisfactory results, the EPA could impose much stricter regulations.

While manufacturers generally do not seem to be to disturbed by the involvement of the EPA looking over their shoulders, they are worried that lackadaisical support from retailers could escalate federal monitoring of the industry.

"If this program fails because retailers did not get behind it, the EPA is going to make it mandatory under penalty of law that they display this material," Eliades said. "and if it's still not done, there are provisions for fines and even imprisonment under the Toxic Substances Control Act.

"So retailers have a lot at stake here from a liability standpoint. It'll just make good sense for them to establish good faith with their customers.

While the industry has been promoting the distribution of the sheets since about November, some treated wood manufacturers have been issuing literature similar to the consumer volunteer awareness program for several years. This early effort was in part a response to the growing ferment to protect the environment from toxic substances, but also to deflect civil suits.

FUTURES

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended Feb. 13, 1986

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Mar. '86	145.40	137.40	145.30	138.20	2,717	195.00	136.60
May	147.60	140.40	147.40	140.80	1,929	176.40	140.00
July	150.50	144.30	150.10	144.50	768	183.40	144.00
Sept.	152.00	147.00	152.00	147.60	417	180.00	145.50
Nov.	150.90	147.00	150.90	147.20	113	166.90	146.00
Jan. '87	154.00	151.90	154.00	150.80	24	173.50	150.00
Mar.	158.00	154.00	158.00	153.00	5	168.00	153.00

Total Contract Volume (thru 2/13): 10,048 — **Previous week: 5,916**
Total Open Interest (thru 2/13): 5,973 — **Previous 2 weeks: 10,762**
Cash Prices: $147.00 — **Last week: $145.04** — **Year ago: $148.96**

CME—Chicago Mercantile Exchange
*Figures for Thursday, Feb. 13.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Perspectives

Electricals growth rate to rise in 1986 but lag behind building industry

By an NHCN staff editor

WASHINGTON — Growth rates for lamps, switches, dimmers and other electric lighting and wiring equipment will be up in 1986, but won't keep pace with the building industry as a whole, U.S. Department of Commerce economists report. They said that most of the moderate gain predicted for construction will be in residential starts, which use fewer electrical products than other types of building.

"Shipments by lighting and wiring equipment industries are expected to expand approximately 2.9%," economists said. The key to "any more substantial improvement" in the outlook for lighting and wiring devices is lower interest rates to stimulate new building starts.

Forecasts for the current-carrying device sector of the industry—lamp holders, outlets, plug caps, connectors, switches, dimmers and flourescent starters—are the brightest. Value of shipments for these devices is predicted to increase 4% after inflation in 1986. The rate of increase for current-carrying wiring, however, has fallen steadily since 1982. Growth was up 11% in 1982-83, 8.1% in 1983-84 and 6% in 1984-85.

The value of all wiring device shipments (1982$ adjusted for inflation) was just over $5.5 billion in 1984 and should be over $6 billion by 1986. Economists expect the current-carrying wiring industry to continue to expand at a rate of about 3% per year. They warned, however, that "this outlook is based on the premise that total new construction expenditures will grow at an annual rate of 2.5% to 3% during the same period."

Even with stimulation by "a revitalized construction market," Governement economists estimate that shipments by the lighting fixture industry will register only a 1.7% gain for 1985. Growth in 1984 was up 6.6%.

Residential lighting fixtures should see the industry's biggest gain in 1986—up 8% in real dollars to $1.9 billion, according to researchers. Shipments of residential fixtures leaped in real dollar value in 1982-83 and 1983-84, up 13.3% and 16.7% but rose only 3.6% in 1984-85.

Commercial lighting fixtures are expected to increase an inflation-adjusted 2% in shipment value, continuing their steady growth of the past four years. Value of commercial fixture shipments rose 1.4% in 1982-83, 0.7% in 1983-84, and 2.6% in 1984-85. The real dollar value projected for 1986 is up 5% to $2 billion, according to Department of Commerce figures.

Like other sectors of the electric and wiring industry, the 1986 outlook for lighting fixtures depends directly upon increased new building and the market for retrofit and modernization work.

The long-term prospects for the industry also parallel the building forecast. If predictions on building starts materialize, economists project the lighting fixture sector to grow at a compound annual rate of about 3% in the 1986-90 period.

U.S. demand for lighting fixtures & electrical wiring equipment 1982-86

(in $ millions)

	1982	1983	1984	1985*	1986**	Per cent change 1982-83	1983-84	1984-85	1985-86
Lighting fixtures									
Value of shipments	4,052	4,322	4,776	5,020	5,341	6.7	10.5	5.1	6.4
Value of shipments (1982 $)	4,052	4,225	4,506	4,584	4,685	4.3	6.6	1.7	2.2
Wiring devices total (1982 $)	4,910	5,059	5,544	5,826	6,031	3.0	9.6	5.1	3.5
Noncurrent carrying (1982 $)	2,400	2,260	2,517	2,618	2,696	– 5.8	11.4	4.0	3.0
Current carrying	2,510	2,799	3,027	3,208	3,336	11.5	8.1	6.0	4.0

*Estimated
**Forecast
Source: U.S. Department of Commerce

The growth rate for electricals is expected to rise in 1986, but won't keep pace with the building industry as a whole. Forecasts for the current carrying device sector of the industry are the brightest, with predictions of a 4% increase in value of shipments.

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Perspectives

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U.S. demand for coating and adhesives 1982-86
(in $ millions)

	1982	1983	1984	1985*	1986**	Per cent change 1982-83	1983-84	1984-85	1985-86
Paints & allied products									
Value of shipments	9,162	10,195	11,724	12,603	—	11.3	15.0	7.5	—
Value of shipments (1982 $)	9,162	10,109	11,292	11,747	12,110	10.3	11.7	4.0	3.1
Adhesives & sealants									
Value of shipments	2,857	3,119	3,680	3,967	—	9.2	18.0	7.8	—
Value of shipments (1982 $)	2,857	3,076	3,574	3,753	3,903	7.7	16.2	5.0	4.0

*Estimated
**Forecast
Source: U.S. Department of Commerce

Paints, coatings and allied products will reach a real dollar value of $12.6 billion, a gain of 7.5%, in 1986. The adhesives and sealants sector should record a 7.8% rise to $3.9 billion. The percentage of growth for paint products in 1985 was sharply down from gains in previous years. Estimated growth for adhesives and sealants was also well below 1983-84 gains of 18%.

Feds forecast coatings and adhesives market gain of 7.5% in 1986

By an NHCN staff editor

WASHINGTON — Strong economic conditions and increased product demand triggered improvements "in both quantity and value" in the coatings and adhesives industry in 1985, Government economists report.

Paints, coatings and allied products will reach a real dollar value of $12.6 billion, a gain of 7.5% in 1986, according to Department of Commerce estimates. The adhesives and sealants sector should record a 7.8% rise to $3.9 billion.

The percentage of growth for paint products in 1985 was sharply down from gains in previous years—11.3% in 1982-83 and 15% in 1983-84. Estimated growth for adhesives and sealants was also well below 1983-84 gains of 18%.

Building growth a key

While improvement is expected to continue in 1986 with shipment value gaining an inflation-adjusted 3.1%, the growth is "contingent upon moderate growth in the construction industry and other major consumer markets," forecasters said. For the long term, economists see continuing growth of about 3% per year into the late 1980's.

"Some of the conventional markets will continue to change and require new approaches," they said. Materials such as vinyl siding, wall covering, wood paneling and glass may create pressure from development of new coatings "requiring different formulations, raw materials and application techniques."

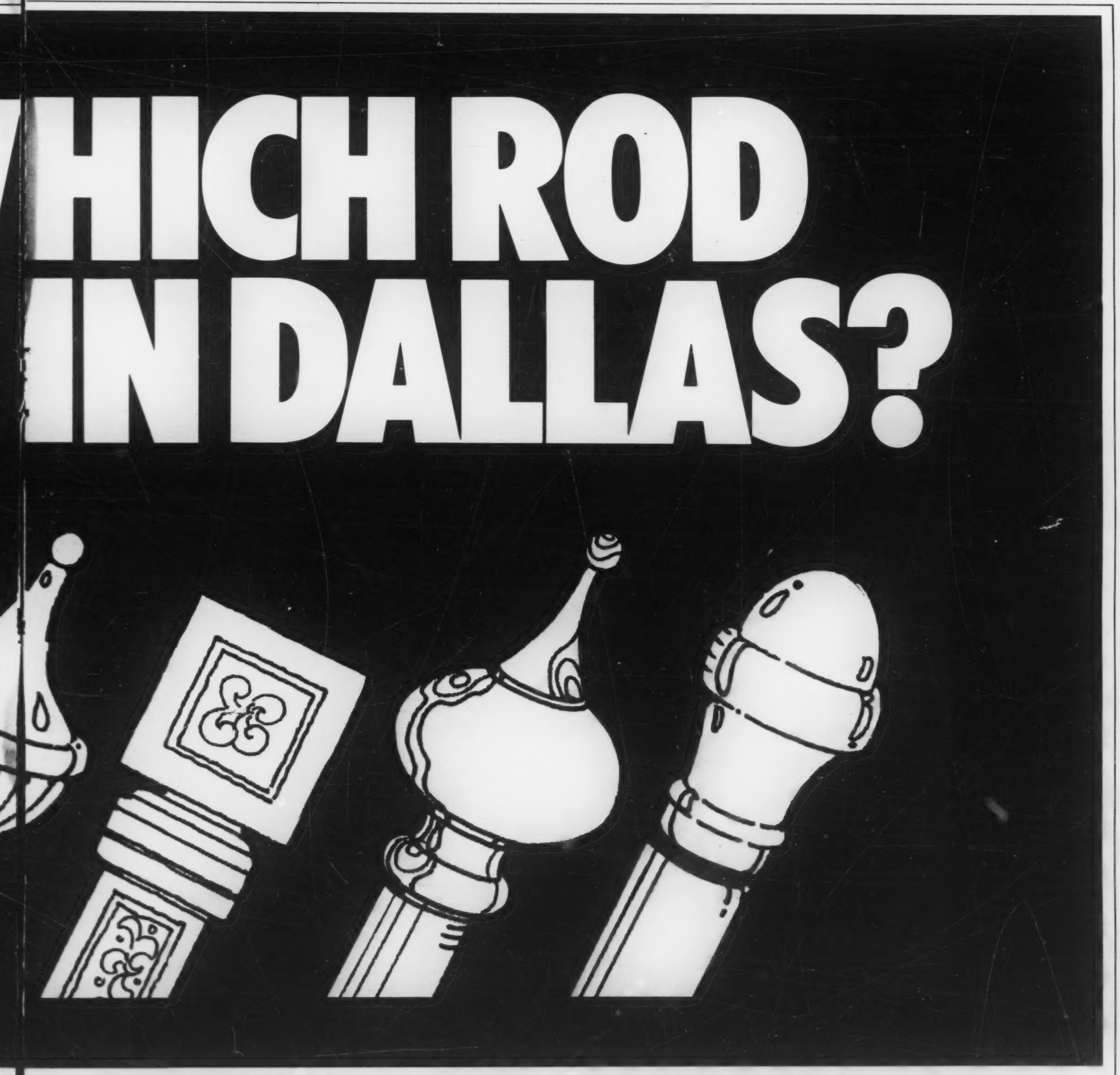
Adhesives and sealants, formulated products similar in makeup and design to paint and coatings, benefitted from the strong demand in 1985 that boosted industry shipments 7.8%. Shipment value of these products rose to an estimated $3.9 billin real dollars in 1985. According to researchers, synthetic resins and rubber-based adhesives acconted for 62% of the shipments; sealants and caulking compounds (natural based and synthetic) for 20%; natural-based adhesives, 6%; and other adhesives and sealants, 12%.

Long term outlook bright

Economists forsee a bright long-term outlook for the industry, following the predicted inflation-adjusted 4% rise in shipment value in 1986.

"High-performance adhesives and sealants are gaining acceptance in a wide variety of applications," researchers said, and the development and use of new materials are creating demands for improved and new adhesives." For example, they cited the bonding of plastic to plastic and ceramics to other high-performance materials which is creating "new opportunities" for adhesives manufacturers.

"Research and development will continue to be the controlling factor in the introduction of new products," according to researchers. "Growth will be based on the ability of adhesives to reduce the weight, increase the strength and improve the quality of products, while reducing manufacturing costs."



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Perspectives

merchandising

U.S. demand for wood products 1982-86
(in $ millions)

	1982	1983	1984	1985*	1986**	Per cent change 1982-83	1983-84	1984-85	1985-86
Wood panel products									
Value of shipments	5,073	6,295	6,906	7,040	—	24.1	9.7	1.9	—
Hardwood Plywood	1,304	1,537	1,600	1,500	—	17.8	4.1	– 6.3	—
Softwood Plywood	3,222	4,063	4,456	4,600	—	26.1	9.7	3.2	—
Particleboard	547	695	850	940	—	27.0	22.2	10.6	—
Structural wood members									
Value of shipments	848	1,134	1,176	1,165	—	33.8	3.7	– 1.0	—
Value of shipments (1982 $)	848	1,059	1,091	1,102	1,135	24.9	3.0	1.0	3.0
Millwork									
Value of shipments	4,248	5,627	5,908	5,967	—	32.5	5.0	1.0	—
Value of shipments (1982 $)	4,248	5,141	5,351	5,276	5,637	21.0	4.0	– 1.4	6.8
Hardwood dimension & flooring									
Value of shipments	913	1,054	1,208	1,258	—	15.5	14.7	4.1	—
Value of shipments (1982 $)	913	1,023	1,047	1,057	1,082	12.0	2.4	1.0	2.4

*Estimated
**Forecast
Source: U.S. Department of Commerce

Particleboard was the wood product industry's big winner in 1985. Constant dollar shipments are expected to be 9.6% greater in 1985 and a 5% gain is predicted for 1986.

Economists forecast continued improvements in major wood markets

By an NHCN staff editor

WASHINGTON — "Continuing improvements in major markets" of the wood products industry are forecast by Government economists, even though "serious pricing and profitability problems" will probably persist in 1986.

Wood products to benefit from projected start rise

Researchers for the U.S. Department of Commerce expect wood products to benefit from the predicted rise in new housing starts in 1986, up 6% to 1.8 million units. Economists also predict advances of 3.6% in other wood market areas. Barring legislation to constrain Canadian wood imports, however, depressed prices caused by oversupply will continue to affect the industry profit picture.

Lumber industry shipments, especially hard-hit by Canadian competition, are expected to drop about 1% according to researchers. The predicted drop continues the 1985 trend when shipments declined 1.7% in the first five months. Production was stimulated slightly late in the year by increased demand from the repair, renovation and remodeling sector, researchers reported. Total 1985 productin of 37.2 billion bd. ft. brought the shipment value of lumber to $13 billion in real dollars.

Economists expect the value of U.S. lumber shipments to grow at an annual rate of about 1.5% over the next five years, but said "demands for lumber will be dependent to a great extent on the level of residential construction, which is forecast to be fairly stable."

Millworks upward trend continued into 1985

Fabricated millwork, used in doors, windows, molding and other building and remodeling products, began an upward trend in 1984 which continued into early 1985. Millwork is predicted to increase real dollar shipment value by 1% in 1985, according to Government forecasts. The value of shipments is estimated at $5.9 billion and is expected to rise 6.8% in 1986. Much of the increased demand will come from renovating and remodeling.

"Shipments of softwood plywood and veneer products measured in 1982 dollars are expected to remain essentially flat in 1985," economists said. An increase of 3%, in all structural panel products, however, is predicted for 1986. Value of softwood/plywood—$4.6 billion in real dollars in 1985—is estimated to grow 3% in 1986.

Particleboard a big winner in wood industry

Particleboard was the wood product industry's big winner in 1985.

"Constant dollar shipments by the particleboard industry in 1985 are expected to be 9.6% greater than 1984," researchers said. An additional 5% gain is projected for 1986 if the several construction industry sectors improve as forecast. About 55% of the demand for the reconstituted nonveneer panels is for construction end uses.

The value of particleboard shipments have risen steadily since 1982, according to Department of Commerce records. The shipments value in real dollars is predicted to reach $940 million in 1985.

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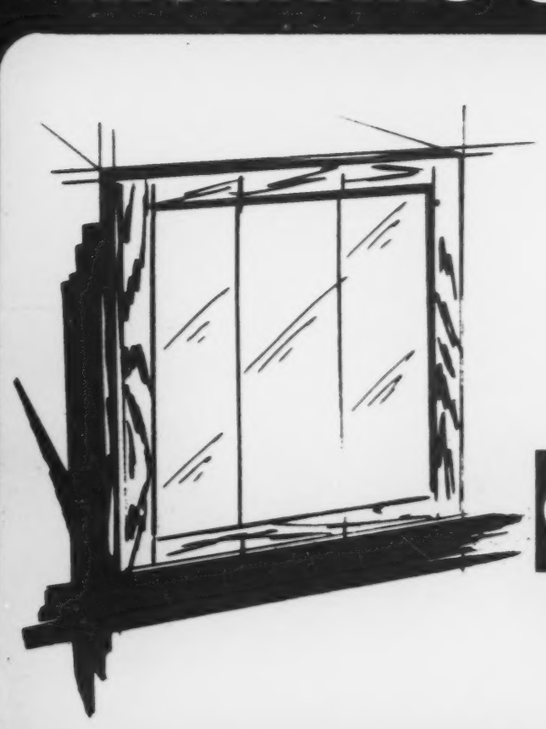

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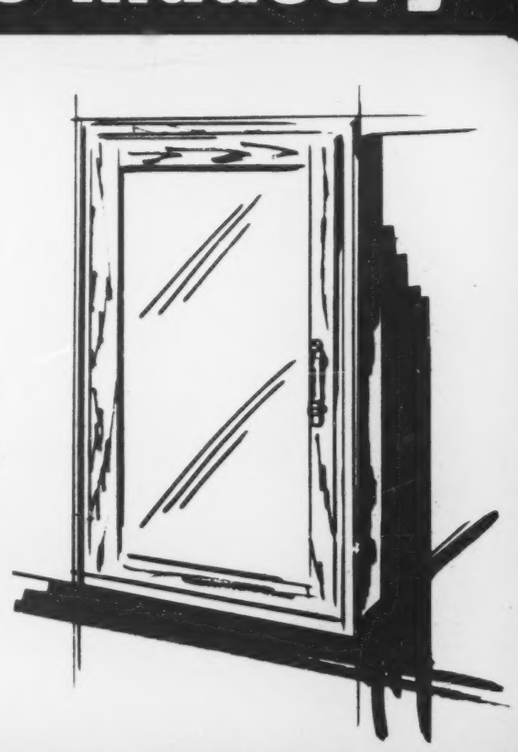

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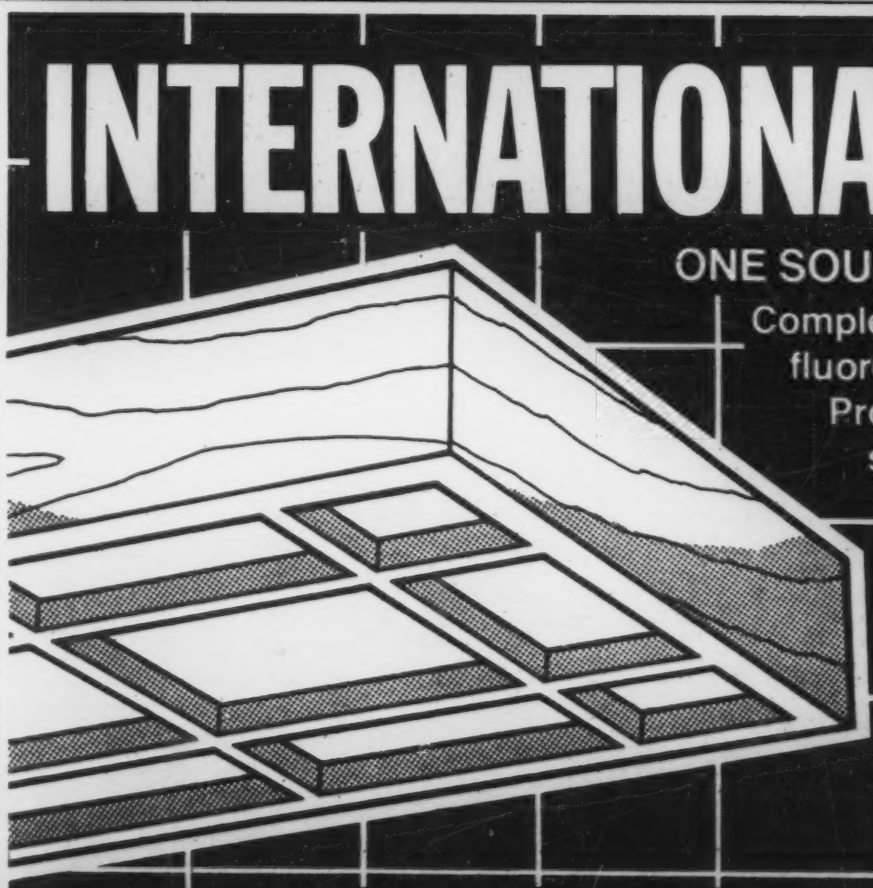

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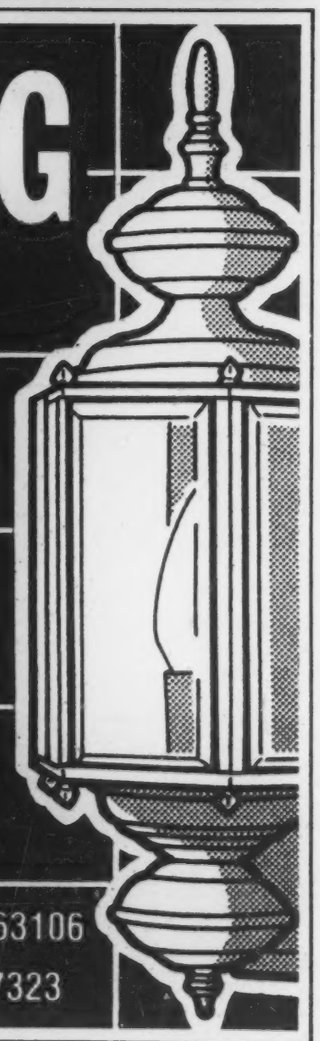

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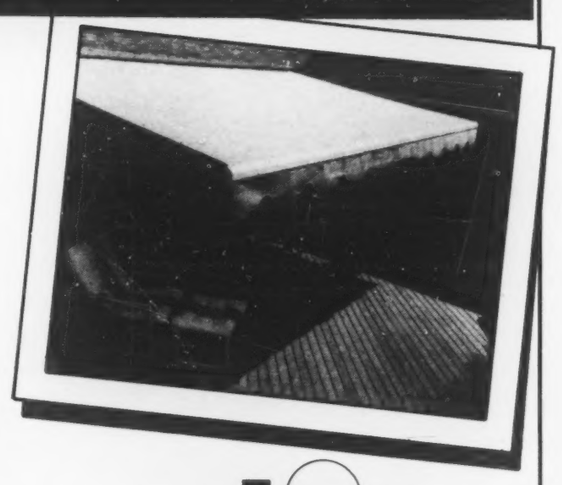

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Perspectives

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U.S. demand for construction materials: 1982-86

(in $ millions)

	1982	1983	1984	1985*	1986**	Per cent change 1982-83	1983-84	1984-85	1985-86
Concrete block & brick									
Value of shipments	1,302	1,582	1,735	1,900	—	21.5	9.7	9.5	—
Value of shipments (1982 $)	1,302	1,553	1,635	1,700	1,790	19.3	5.3	4.0	5.3
Brick & structural clay tile									
Value of shipments	657	837	910	945	—	27.3	8.8	3.8	—
Value of shipments (1982 $)	657	744	830	840	880	17.8	7.2	1.2	4.8
Flat glass									
Value of shipments	1,666	1.930	1,957	1,805	—	15.9	1.4	−7.8	—
Value of shipments (1982 $)	1,666	1,860	2,000	2,020	2,060	11.7	7.5	1.0	2.0
Gypsum products									
Value of shipments	1,289	1,710	2,250	2,160	—	32.6	31.6	−4.0	—
Value of shipments (1982 $)	1,289	1,544	1,700	1,680	1,750	19.8	10.1	−1.2	4.2

*Estimated
**Forecast
Source: U.S. Department of Commerce

Forecasters are calling for modest gains in the building material industry in 1986. Gypsum shipments continue their seesaw progression with 1984 shipments valued at $2.2 billion, an increase of almost 32% from 1983, and 1985 shipments plummeting 4%. The inflation-adjusted prediction for 1986 calls for an increase of slightly more than 4%. The gypsum market is currently benefitting from the alteration and repair market.

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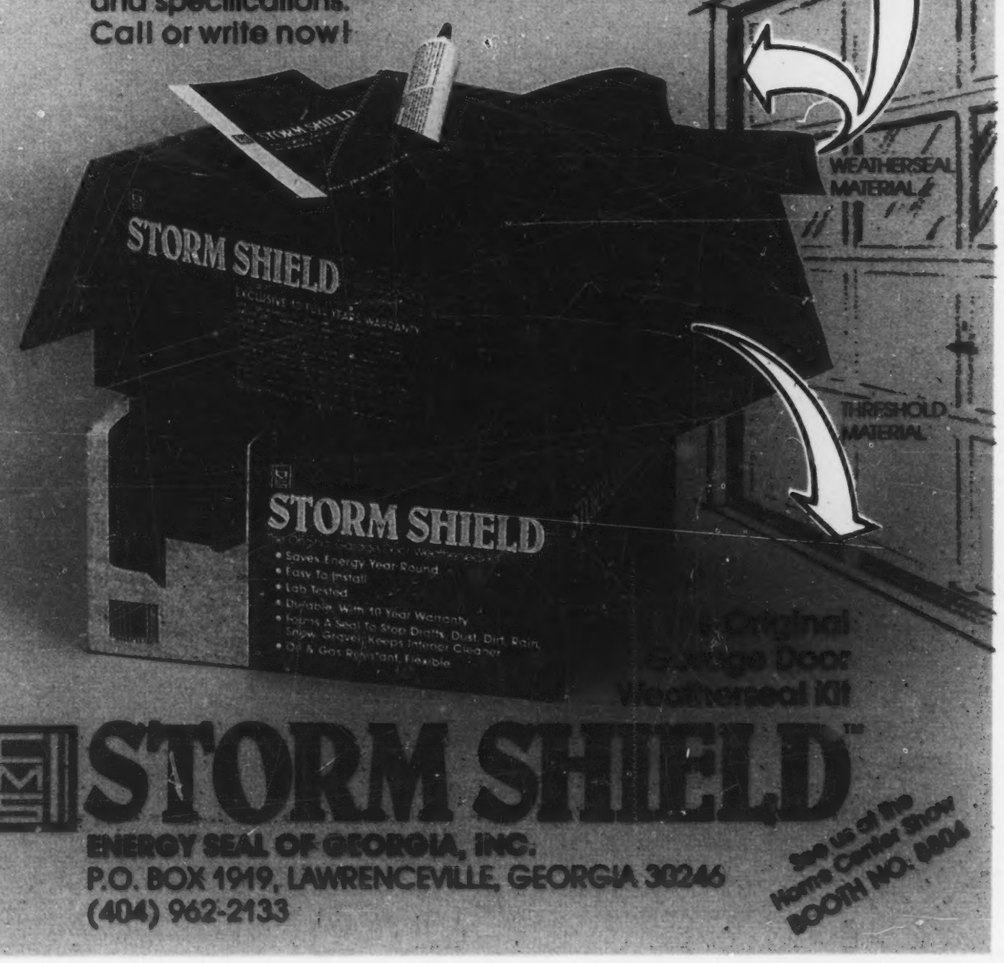
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Outlook for building supply gains modest

By an NHCN staff editor

WASHINGTON — At best, growth in glass, brick, concrete block and gypsum markets will be "slow" or "modest" in 1986. The cautious outlook for these building supplies depends on "an expected increase in housing starts" and minimal "adverse effects" from budget cuts and tax reform, according to U.S. Department of Commerce forecasters.

"Among the factors affecting the demand for construction materials in 1986 are interest rates, inflation, availability of investment funds, and the ultimate direction of tax reform and budget reduction," Government researchers said.

Forecasts call for the four year upturn in housing starts to continue, and improved existing home sales to "boost" demand for construction materials by small contractors and do-it-yourselfers. But researchers qualify their predictions, warning that original tax proposals and revisions by the President are expected "to have adverse effects" on investment in private construction activity and real estate."

A 2% to 3% growth after inflation in construction material output is anticipated in 1986, up slightly from the 1% gain last year—but down sharply from the 1983 and 1984 gains of 15% and 12%.

Following the trend of the building material industry at large, flat glass shipments rose an estimated 1% in 1985, compared with gains of 11% in 1983 and 8% in 1984.

Researchers are predicting an inflation-adjusted rise of 2% in 1986, based on "an expected increase in housing starts." Flat glass prices have declined since early 1984. As a result, despite a slight increase in volume (1%) last year, the total value of shipments dropped 7.8%.

The concrete block and brick industry saw shipments move upward 9.5% to $1.9 billion last year. After inflation, shipment values should rise another 5.3% in 1986.

Like flat glass, the quantity of brick and clay tile shipments only increased an estimated 1% in 1985. An inflation-adjusted 5% rise in shipment value is predicted in 1986, still well below the growth percentage in 1983-84.

Predictions for the industry in 1986 are based on "the expected gain in single-family housing construction," according to forecasters, since residential housing continues to be the major market for clay brick. In 1984, brick was used as a siding material on 26% of all new single-family homes in the United States.

Gypsum shipments in 1984 were valued at $2.2 billion in real dollars, an increase of almost 32% from 1983. Following the sharp rise in 1984, shipment values fell 4% in 1985. The inflation-adjusted prediction for 1986 calls for an increase of slightly more than 4%.

The gypsum industry is benefitting "not only from increased building construction," economists said, "but also from growing use of gypsum board in mobile homes, and from strong activity in the additions, alterations and repairs market" where "fix-up" expenditures are expected to continue their two-year rise.

FINANCIAL NEWS

The Retail Stock Index is calculated for each of the past 52 weeks by multiplying the market value of home center issues (combined price divided by total shares oustanding) by a constant which adjusts the index to show its relation to performance of the S&P 500 Index over the past 52 weeks.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Mich General ..... A	8,856	346.3	24.1
Erb Lumber ..... M	150	342.1	27.8
Home Depot ..... N	22,511	319.6	21.6
MacMilln Bldel ..... N	585	280.0	3.4
Forest City Ent ..... A	153	245.5	- 8.7
Owens Corning ..... N	14,918	240.8	9.0
Wolohan Lumber ..... M	1,736	216.0	12.5
Payless Cash ..... N	23,075	209.8	11.3
Newell Co ..... N	2,240	208.5	8.9
Armstrng Wrld ..... N	8,839	202.5	7.8
Std Brd Pnt ..... N	4,152	186.7	5.3
Certain-teed ..... N	2,739	176.9	7.8
La Pacific ..... N	10,322	173.8	10.5
Color Tile ..... M	8,657	166.2	6.3
Clopay Corp ..... A	197	164.6	32.3
Lewis Palmer ..... M	1,454	154.8	8.2
Svc Merchandise ..... M	41,123	152.4	19.6
Lowe's Cos ..... N	16,565	151.1	21.3
Masco Corp ..... N	16,689	150.0	5.9
USG Corp ..... N	11,452	143.3	1.8

Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."

PRICE MOVEMENT

Company & Market	2-Weeks Ended 2-21-86	2-Week Price Change	Total 2-Week Volume
TOP GAINERS	$	%	(100)
Clopay Corp ..... A	16.38	32.3	197
Homecrafters Whse ..... M	2.63	31.3	602
Erb Lumber ..... M	46.00	27.8	150
Mich General ..... A	4.50	24.1	8,856
Home Depot ..... N	14.75	21.6	22,511
Lowe's Cos ..... N	35.63	21.3	16,565
Svc Merchandise ..... M	13.75	19.6	41,123
Walter, Jim ..... N	51.13	14.2	8,188
Sherwin-Wms ..... N	56.13	12.5	4,255
Emhart Corp ..... N	37.25	12.5	4,030
TOP LOSERS	$	%	(100)
Natl Lumber ..... M	4.00	- 11.1	725
Manville Cp ..... N	6.88	- 9.8	11,224
Forest City Ent ..... A	22.25	- 8.7	153
Wickes Cos ..... A	4.50	- 5.3	44,744
K mart Cp ..... N	37.13	- 2.9	45,433
Mor-Flo Inds ..... M	17.88	- .7	251
Zayre Corp ..... N	64.75	1.2	5,717
Natl Gypsum ..... N	46.63	1.4	11,758
DeSoto Inc ..... N	37.13	1.7	545
USG Corp ..... N	58.00	1.8	11,452

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 2-21-86 $	2-Weeks Change Amt. $	2-Weeks Change Pct. %	2-Week Range High $	2-Week Range Low $	52-Week Range High $	52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	2-Weeks Shares Traded % Out %	12-Week Avg. Vol. As % Out %	Volume Trend Change %	P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue Amt. $Mil	Latest Quarter: Revenue Chg. %	Latest Quarter: Net Income Amt. $Mil	Latest Quarter: Net Income Chg. %	Latest Quarter: E.P.S. Amt. $	Latest Quarter: E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Year-to-Date: Revenue Chg. %	Year-to-Date: Net Income Amt. $Mil	Year-to-Date: Net Income Chg. %	Year-to-Date: E.P.S. Amt. $	Year-to-Date: E.P.S. Chg. %
Retailers																													
Color Tile ..... M	21.00	1.25	6.3	21.13	19.75	22.00	15.25	8,657	9.21	3.46	166.2	14.3	.00	.0	.....	6 mos.	12-85	87.2	4.8	3.3	- 2.9	.34	- 8.1	182.2	14.8	6.6	6.5	.70	2.9
Erb Lumber ..... M	46.00	10.00	27.8	48.00	33.75	46.00	20.50	150	1.68	.38	342.1	7.9	.00	.0	.....	9 mos.	09-85	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent ..... A	22.25	- 2.13	- 8.7	24.13	22.13	26.13	20.38	153	.38	.11	245.5	41.2	.30	1.3	.....	9 mos.	10-85	72.8	14.3	.0	- 100.0	.00	- 100.0	200.0	5.7	3.6	20.0	.45	12.5
Grace W R ..... N	53.63	2.63	5.1	54.38	49.13	57.25	35.50	30,332	5.58	3.69	51.2	19.0	2.80	5.2	.....	fiscal	12-85	2013.2	10.0	44.7	- 24.4	.86	- 29.5	7260.1	7.9	146.9	- 24.9	2.82	- 29.9
Handyman ..... A	27.50	.88	3.3	27.50	26.50	29.63	21.75	112	.44	.36	22.2	NA	.15	.5	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	23.00	1.50	7.0	23.25	21.25	23.25	16.00	3,919	4.48	2.94	52.4	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	23.25	2.00	9.4	23.75	21.25	24.19	16.00	829	.61	.43	41.9	24.0	.08	.3	.....	9 mos.	10-85	118.3	17.8	5.5	17.0	.23	9.5	362.2	19.7	16.5	11.5	.70	7.7
Homecrafters Whse ..... M	2.63	.63	31.3	2.75	2.00	9.75	1.00	602	2.13	5.58	- 61.8	NE	.00	.0	.....	9 mos.	10-85	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot ..... N	14.75	2.63	21.6	14.88	11.88	20.38	10.50	22,511	8.98	2.14	319.6	41.0	.00	.0	.....	9 mos.	10-85	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc ..... N	77.00	6.00	8.5	77.00	70.63	77.00	61.13	2,675	1.89	1.35	40.0	15.0	3.08	4.0	.....	9 mos.	11-85	694.7	- .6	27.0	- 4.6	1.71	216.7	1927.7	- 5.7	61.4	- 15.0	3.89	21.9
K mart Cp ..... N	37.13	- 1.13	- 2.9	39.50	36.63	39.88	30.63	45,433	3.62	1.74	108.0	11.6	1.40	3.8	.....	9 mos.	10-85	5223.2	4.6	77.4	- 16.2	.60	- 15.5	15667.8	10.2	210.7	- 28.5	1.64	- 27.8
Lowe's Cos ..... N	35.63	6.25	21.3	36.50	28.88	36.50	20.75	16,565	4.57	1.82	151.1	22.0	.36	1.0	NEW	9 mos.	10-85	549.1	22.6	15.6	- 11.4	.42	- 14.3	1597.0	21.6	48.4	- 4.9	1.33	- 5.7
Mich General ..... A	4.50	.88	24.1	5.13	3.50	7.63	3.25	8,856	7.81	1.75	346.3	NE	.00	.0	.....	9 mos.	09-85	128.3	3.6	(7.9)	- 100.0	(.69)	- 100.0	335.4	- 2.6	(23.2)	- 100.0	(2.05)	- 100.0
Natl Lumber ..... M	4.00	- .50	- 11.1	4.75	4.00	7.25	4.00	725	1.29	.57	126.3	20.0	.00	.0	.....	9 mos.	10-85	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak ..... N	14.00	.75	5.7	14.13	12.75	15.25	11.50	3,004	3.00	1.56	92.3	17.3	.64	4.6	.....	9 mos.	11-85	86.1	5.6	1.8	- 33.3	.18	- 33.3	259.2	6.4	6.9	- 22.5	.69	- 22.5
Payless Cash ..... N	19.75	2.00	11.3	20.00	17.13	23.38	13.50	23,075	6.66	2.15	209.8	17.2	.16	.8	.....	fiscal	11-85	164.4	- 50.3	10.1	6.3	.35	20.7	1174.4	.0	37.1	- .3	1.15	.0
Scotty's Inc ..... N	15.00	.88	6.2	15.25	14.13	15.63	12.38	2,810	1.95	.84	132.1	12.9	.52	3.5	NEW	6 mos.	12-85	120.6	10.0	2.8	- 22.2	.19	- 26.9	230.9	9.3	5.6	- 20.0	.39	- 25.0
Sears, Roebuck ..... N	43.63	3.38	8.4	43.63	39.88	43.63	31.75	93,048	2.56	1.21	111.6	12.4	1.76	4.0	NEW	fiscal	12-85	12068.2	5.2	552.3	- 1.9	1.50	- 2.6	40715.3	3.9	1303.3	- 10.4	3.53	- 12.0
Svc Merchandise ..... M	13.75	2.25	19.6	13.75	11.88	16.13	11.25	41,123	12.34	4.89	152.4	23.3	.08	.6	.....	9 mos.	09-85	528.3	69.7	(15.1)	- 100.0	(.45)	- 100.0	1421.0	53.3	(18.4)	- 100.0	(.55)	- 100.0
Std Brd Pnt ..... N	22.38	1.13	5.3	22.50	19.75	23.88	18.75	4,152	3.67	1.28	186.7	13.5	.56	2.5	.....	9 mos.	10-85	90.0	10.4	4.0	- 24.5	.35	- 27.1	266.4	9.1	14.2	- 12.9	1.26	- 14.3
Supermkts Gen ..... N	57.25	4.50	8.5	57.25	52.50	57.25	33.50	1,917	1.07	.73	46.6	15.9	.48	.8	.....	9 mos.	10-85	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	38.2
Wickes Cos ..... A	4.50	- .25	- 5.3	4.75	4.50	5.63	3.13	44,744	4.67	4.21	10.9	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber ..... M	6.75	.75	12.5	7.00	5.88	7.25	5.25	1,736	2.97	.94	216.0	13.0	.16	2.4	.....	9 mos.	09-85	46.8	12.5	1.2	9.1	.20	5.3	113.3	10.0	2.2	22.2	.38	22.6
Zayre Corp ..... N	64.75	.75	1.2	66.75	62.88	66.75	40.31	5,717	2.13	1.12	90.2	19.2	.48	.7	.....	9 mos.	10-85	942.0	21.3	27.6	22.1	1.02	21.4	2537.0	20.6	56.7	24.3	2.09	22.9
Wholesalers																													
Lewis Palmer ..... M	8.25	.63	8.2	8.50	7.75	9.38	6.38	1,454	3.72	1.46	154.8	63.5	.27b	3.3	.....	9 mos.	10-85	39.9	- 9.9	.6	.0	.16	6.7	110.4	- 2.9	.8	- 42.9	.22	- 43.6
Manufacturers																													
Allegheny Int ..... N	18.75	1.00	5.6	19.38	17.50	28.75	16.50	3,738	3.48	3.06	13.7	NE	1.40	7.5	.....	9 mos.	09-85	511.5	- .9	(71.4)	- 100.0	(7.35)	- 100.0	1519.2	- 1.0	(56.3)	- 100.0	(7.47)	- 100.0
Am Standard ..... N	42.63	2.88	7.2	43.25	39.25	43.25	26.75	9,640	2.45	1.88	30.3	13.8	1.60	3.8	NEW	fiscal	12-85	413.8	- 52.0	36.2	17.5	.92	17.9	2912.0	- 9.4	122.0	6.2	3.10	1.0
Armstrng Wrld ..... N	50.00	3.63	7.8	51.38	46.13	51.38	30.38	8,839	3.69	1.22	202.5	11.9	1.30	2.6	.....	fiscal	12-85	426.0	11.4	22.6	20.2	.94	19.0	1679.2	7.0	100.9	9.4	4.20	10.8
Black & Decker ..... N	23.63	1.88	8.6	23.75	21.63	25.38	17.25	30,650	6.04	2.70	123.7	31.1	.64	2.7	.....	3 mos.	12-85	521.7	3.7	20.9	- 27.9	.41	- 28.1	521.7	3.7	20.9	- 27.9	.41	- 28.1
Boise Cascade ..... N	50.63	1.88	3.8	51.38	47.75	51.38	37.25	10,054	3.71	1.75	112.0	14.7	1.90	3.8	.....	fiscal	12-85	892.7	- 1.6	19.0	NE	.61	NE	3737.2	- 2.1	104.3	49.9	3.45	54.7
Certain-teed ..... N	27.75	2.00	7.8	28.00	25.75	28.50	21.25	2,739	1.44	.52	176.9	10.2	.90	3.2	.....	fiscal	12-85	261.7	- 4.4	10.4	- 25.2	.55	- 21.4	1109.7	- 6.7	53.4	22.8	2.73	25.8
Champ Intl ..... N	27.50	.63	2.3	28.00	26.25	28.00	20.00	40,337	4.34	2.05	111.7	17.3	.52	1.9	.....	fiscal	12-85	1194.7	- 29.3	38.1	NE	.37	NE	5769.8	12.7	163.1	NE	1.59	NE
Clopay Corp ..... A	16.38	4.00	32.3	16.38	12.38	22.19	11.25	197	1.27	.48	164.6	NE	.16	1.0	.....	fiscal	12-85	35.5	- 2.5	(.2)	- 100.0	(.14)	- 100.0	139.2	3.9	(1.9)	- 100.0	(1.24)	- 100.0
DeSoto Inc ..... N	37.13	.63	1.7	37.38	36.00	37.88	31.50	545	1.14	.50	128.0	12.5	1.40	3.8	.....	fiscal	12-85	75.5	- 3.6	2.9	- 19.4	.60	- 15.5	405.6	- .4	14.2	- 27.6	2.97	- 16.6
Emhart Corp ..... N	37.25	4.13	12.5	37.25	33.00	37.25	26.25	4,030	1.46	.89	64.0	12.8	1.40	3.8	.....	fiscal	12-85	484.4	8.1	23.6	- 7.8	.87	26.1	1775.0	- 1.1	80.0	- 11.5	2.90	- 11.3
Georgia-Pacific ..... N	29.88	2.50	9.1	30.13	27.25	30.13	20.50	40,877	3.97	1.75	126.9	16.3	.80	2.7	.....	fiscal	12-85	1590.0	- 10.0	33.0	NE	.27	NE	6716.0	.5	207.0	NE	1.83	88.7
Insilco Corp ..... N	21.00	1.88	9.8	21.13	18.75	21.38	16.63	4,125	2.10	1.12	87.5	15.3	1.00b	4.8	.....	fiscal	12-85	174.7	- 3.4	3.6	- 50.7	.17	- 57.5	811.8	3.2	26.1	- 20.9	1.37	- 24.7
La Pacific ..... N	25.75	2.44	10.5	25.75	23.25	25.75	17.13	10,322	2.82	1.03	173.8	36.8	.80b	3.1	.....	fiscal	12-85	312.6	10.2	6.8	- 67.6	.19	- 69.4	1260.9	2.5	25.5	- 39.6	.70	- 41.2
MacMilln Bldel ..... N	19.25	.63	3.4	19.25	18.25	19.25	12.47	585	.19	.05	280.0	35.6	.00a	.0	NEW	fiscal	12-85	601.7	4.0	20.4	- 15.0	.44	- 21.4	2335.4	9.8	42.9	122.3	.54	NE
Manville Cp ..... N	6.88	- .75	- 9.8	7.75	6.50	8.13	5.13	11,224	4.68	2.39	95.8	NE	.00	.0	.....	fiscal	12-85	536.4	17.5	20.9	14.8	.61	22.0	1941.8	7.0	(45.1)	- 100.0	(2.92)	- 100.0
Masco Corp ..... N	49.25	2.75	5.9	49.25	44.75	49.25	28.50	16,689	2.60	1.04	150.0	19.2	.64	1.3	NEW	fiscal	12-85	704.9	228.3	141.3	551.2	1.42	330.3	1154.0	13.2	164.5	41.9	2.56	28.0
Mor-Flo Inds ..... M	17.88	- .13	- .7	18.00	17.88	20.25	14.50	251	.99	.76	30.3	8.4	.01	.1	.....	9 mos.	09-85	47.0	.9	.3	- 81.3	.11	- 82.5	153.0	3.9	3.7	- 22.9	1.45	- 24.5
Natl Gypsum ..... N	46.63	.63	1.4	46.75	45.88	47.25	25.09	11,758	5.14	2.60	97.7	8.9	1.52	3.3	.....	9 mos.	09-85	468.0	4.2	35.1	24.9	1.53	26.4	1277.4	- .8	96.6	18.4	4.16	18.9
Newell Co ..... N	29.13	2.38	8.9	29.25	26.00	29.25	15.13	2,240	2.60	.84	209.5	13.9	.70	2.4	.....	fiscal	12-85	96.6	7.6	5.5	31.0	.61	32.6	350.0	13.5	18.9	33.1	2.09	29.0
Owens Corning ..... N	42.25	3.50	9.0	42.50	38.50	42.50	30.75	14,918	5.01	1.47	240.8	9.6	1.40	3.3	.....	fiscal	12-85	966.6	27.9	44.1	31.3	1.48	29.8	3305.0	9.4	131.2	15.2	4.42	14.2
Ply-Gem ..... A	19.00	.50	2.7	19.00	18.38	19.75	13.25	947	2.20	2.57	- 14.4	17.1	.16	.8	.....	9 mos.	09-85	39.5	- 2.7	1.1	37.5	.25	31.6	123.0	- .2	3.1	- 3.1	.77	- 12.5
Pope & Talbot ..... N	20.13	2.13	11.8	20.50	17.88	21.50	16.75	1,078	1.80	1.36	32.4	18.1	.80	4.0	.....	fiscal	12-85	74.9	- 5.1	.6	NE	.10	NE	325.2	1.6	6.7	NE	1.11	NE
Potlatch Cp ..... N	39.25	1.50	4.0	39.25	37.25	43.63	31.38	1,774	1.37	.76	80.3	17.9	1.56	4.0	.....	fiscal	12-85	227.4	- 3.7	4.4	- 56.0	.26	- 55.2	950.3	- 4.4	37.7	- 24.0	2.19	- 21.8
Sherwin-Wms ..... N	56.13	6.25	12.5	56.13	50.25	56.13	30.63	4,255	1.85	.83	122.9	17.4	1.00	1.8	NEW	fiscal	12-85	517.4	3.2	11.3	24.2	.48	17.1	2194.9	5.8	74.6	14.8	3.23	13.7
SW Forest Ind ..... N	13.38	.25	1.9	13.63	12.75	15.88	9.88	1,636	1.76	3.84	- 54.2	NE	.00	.0	NEW	fiscal	12-85	169.2	- 10.9	(5.0)	- 100.0	(.42)	NE	700.1	- 9.9	(12.3)	- 100.0	(1.67)	- 100.0
Stanley Works ..... N	38.63	.88	2.3	39.00	37.25	39.00	26.50	5,672	1.97	1.13	74.3	13.6	1.04	2.7	.....	fiscal	12-85	322.4	5.4	25.7	14.7	.93	14.8	1208.3	4.3	78.3	8.1	2.85	9.6
Thos Inds ..... N	22.00	.50	2.3	22.00	21.25	22.00	14.41	568	.64	.58	10.3	12.1	.65b	3.0	NEW	fiscal	12-85	77.6	.6	4.2	7.7	.48	9.1	309.5	6.1	16.2	1.9	1.82	2.2
Triangle Pac ..... N	46.25	1.00	2.2	46.50	42.75	46.50	26.00	680	1.80	.92	95.7	12.1	1.00	2.2	NEW	fiscal	12-85	65.7	4.1	3.6	24.1	.92	29.6	263.9	- 2.5	15.2	11.8	3.82	15.8
USG Corp ..... N	58.00	1.00	1.8	58.25	53.75	58.25	30.75	11,452	3.43	1.41	143.3	8.6	1.92	3.3	.....	fiscal	12-85	635.2	4.0	53.9	30.5	1.63	31.5	2526.5	9.0	223.8	19.9	6.71	19.0
Walter, Jim ..... N	51.13	6.38	14.2	51.63	44.38	51.63	31.00	8,188	3.87	2.06	87.9	9.6	1.40	2.7	.....	3 mos.	11-85	562.1	.7	31.7	17.0	1.45	16.9	562.1	.7	31.7	17.0	1.45	16.9
Waxman Ind ..... M	12.63	.38	3.1	12.88	12.25	16.88	9.00	935	2.98	1.95	52.8	23.4	.08	.6	NEW	6 mos.	12-85	23.3	14.2	.5	.0	.17	- 43.3	44.8	9.5	1.1	- 8.3	.35	- 50.0
Weyerhaeuser ..... N	35.75	1.13	3.2	36.00	33.63	36.00	24.75	25,397	1.96	1.12	75.0	27.1	1.30	3.6	.....	fiscal	12-85	1238.0	- 12.1	63.6	132.1	.43	168.8	5205.6	- 6.2	200.1	- 11.5	1.32	- 13.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure

a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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Evans and banks reach tentative agreement

Plan calls for return of Mike Grossman

By John Caulfield
NHCN staff editor

MIAMI — Three hundred and sixty days after filing for protection under Chapter 11 of the U. S. Bankruptcy Code, Evans Products has reached a tentative agreement with its bank lenders over a plan for reorganization.

The rapproachment between the company and the banks was achieved on March 6 in the Bankruptcy Court in the Southern District of Florida during a hearing at which the respective plans of the company and the banks were approved by Judge Thomas C. Britton. Each plan would have been sent out to creditor groups for a vote had the agreement not been struck.

The bankruptcy court now has set a date of May 23 for confirmation of the banks' proposal that would be amended to incorporate the agreed-upon changes resulting from this agreement. If confirmation can be completed by the end of May, it is believed by bank officials that Evans Products could emerge from Chapter 11 60 to 120 days later.

Essentially, Evans officials agreed to accept the banks' formula for reorganization, which repays creditors primarily through the issuance of new debentures, zero coupon notes and common stock in the reorganized company (*NHCN*, March 10).

The banks' main concession was to permit existing holders of equity in the company, who were to be shut out of any receipt of payment, to retain a 10% share of the new company's common stock.

As part of its acceptance of the lenders' proposal, Evans has agreed to the reinstatement of Maurice (Mike) Grossman as president of Evans Retail. According to Patrick Murphy, an attorney for the lenders from the San Francisco firm Murphy, Weir and Butler, Grossman will step in

(Continued on page 89)

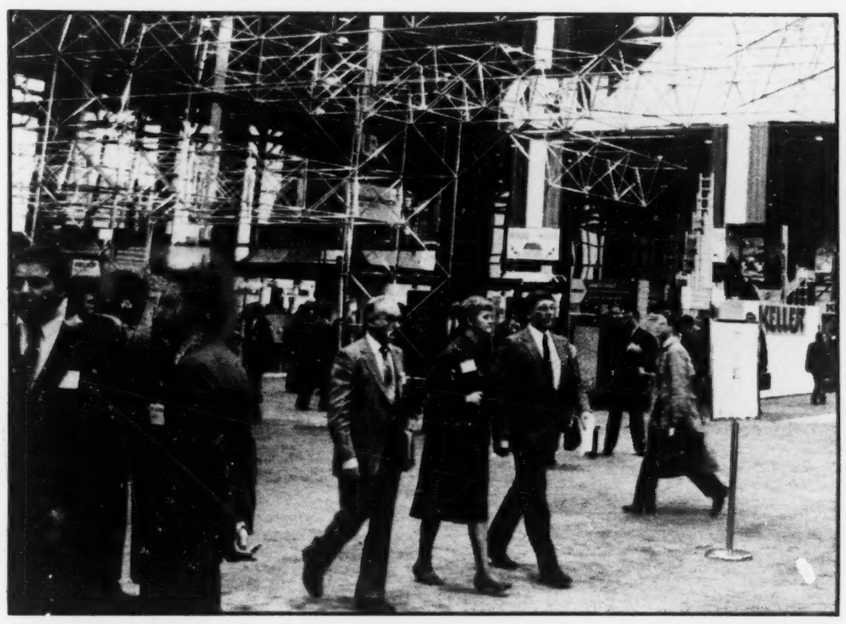
Profits key '86 forecasts at Chicago show

By an NHCN staff editor

CHICAGO — This is the year the industry expects to strengthen margins, according to many home center operators attending this year's National Home Center Show here, March 9 through 12.

In some cases, particularly where big hitting public companies have been acquired by conservative parents, apparent emphasis has shifted from the need to rapidly roll out stores and build volume to improving performance on the bottom line.

(Continued on page 90)



Home center operators who attended this year's National Home Center Show in Chicago believed that emphasis has shifted from the need to rapidly roll out stores and build volume to improving performance on the bottom line. NHCN photo

BE's Hal Smith named pres. and ceo of Ernst

By Brad Altman
NHCN staff editor

SEATTLE — Hal Smith, who guided Builders Emporium to record sales and profits last year, has been tapped to revive the struggling Ernst Home Center chain based here.

Smith, 35, resigned as president and ceo of 66-unit Builders Emporium in late February to replace Michael Rouleau as president and ceo of 73-unit Ernst.

Rouleau, 47, said he was given a special assignment to develop retail business strate-

(Continued on page 89)

Hal Smith resigned as president and ceo of Builders Emporium to become the third chief executive of Ernst in less than two years. NHCN photo

Financiers join ex-ITT chairman in bid for Grace

By Phillip M. Perry
NHCN staff editor

NEW YORK — David Mahoney, former chairman of Norton Simon, and Michael Rosenthal, a former director at Donaldson, Lufkin and Jenrette, confirmed they had joined former ITT chairman Harold Geneen in putting together a bid for the retail group of W.R. Grace.

"I'd love to be in the business," said Michael Rosenthal, who most recently has been managing director and partner at the investment

(Continued on page 90)

Mr. HOW Warehouse puts brakes on aggressive expansion program

By Donald Longo
NHCN staff editor

MARGATE, Fla. — Mr. HOW Warehouse has put the brakes on an aggressive store opening program that added 24 units to a three-store base in just a little over 18 months.

According to Norman Darrer, president of the 27-store warehouse home center division of Service Merchandise, "we've stopped to re-examine what we've done. It's time to step back and ask,

(Continued on page 90)

According to Norman Darrer, president of Mr. HOW Warehouse in Margate, Fla., the chain is reassessing its aggressive expansion program that added 24 units to its three-store base in just over 18 months. NHCN photo

Payless plans rollout of new store prototype

By Gary S. Ruderman
NHCN staff editor

CHICAGO — Payless Cashways will open four to 21 new format stores during the next two years featuring a warehouse-type showroom, David Stanley, Payless Cashways chairman said in a meeting with Chicago analysts earlier this month.

The first store is expected to open in January 1987 in an Ohio market, Stanley told *NHCN*.

Instead of the three-building complex of warehousing,

(Continued on page 89)

Inside

Perspectives cover story: Advertising and Marketing Awards-Retailers, home center suppliers and marketing executives were honored this month in Chicago at the second annual Home Center Industry Advertising and Marketing Awards banquet. **21**

Merchandising: Higher-end caulking increases margins-Consumers are stepping up to high-end caulking, as they become more experienced in fixing up their homes. High-end caulking carries greater margins and can turn up to eight times a year. **49**

Newsbreaks

PERGAMENT MAKES BID FOR CHANNEL: Pergament, the Melville, N.Y.-based retailer, has filed a bid to purchase Channel home centers from W.R. Grace, according to Bruce Pergament, vp administration. The offer is one of several that Grace is currently considering.

B&B PLANS WAREHOUSE: B&B Home Supply, St. Louis, plans to open a new 60,000-sq.-ft. warehouse store in St. Louis later this year. The company recently doubled the size of one of its stores to 60,000 sq. ft.

Industry Update

McCormick annex ready for Aug.

CHICAGO — The 1986 National Hardware Show will occupy space in the McCormick Place addition as well as filling the current exhibition hall.

More than 1.6 million sq. ft. of available exhibit space has been leased for the event August 10 through August 14 at Chicago's McCormick Place Complex.

Julie T. Prazmark, vice president and show manager, said the exposition received the final lease February 27 from the McCormick Place management for the 534,000-sq.-ft. lower level of the annex still under construction.

Facelifters signs vendor pact

BROOKLYN, N.Y. — Facelifters Home Systems, a franchisor of kitchen cabinet refacing services *(NHCN* March 10), signed a contract this month with Carson Home Services, a division of Chicago's Carson Pirie Scott & Co., under which Facelifters will be the sole and exclusive vendor of new kitchens and kitchen remodeling services for the 32 Carson Pirie Scott stores in the Illinois, Wisconsin and Indiana markets.

Facelifters' president Mark Honigsfeld said that the pact with the nearly $1 billion retailer will mean $2 million to $3 million in additional business in the coming 12 months in the Chicago area alone.

Grace West opens 2, closes 2

DIAMOND BAR, Calif. — Grace Home Centers West, the 91-unit, California-based division of W. R. Grace's 307-unit home center retail group, is opening new units in Yorba Linda, and La Verne, Calif., and has closed units in Pomona and El Monte.

Separately, the company has completed the consolidation of its Pasadena and Brea offices under one roof into a four-story, 89,000-sq-ft. building located here.

Sean Lee, Grace West president, said the units in Yorba Linda and La Verne will operate as 40,000-sq.-ft. Ole's Home Centers.

Second Lumber City rehab done

VAN NUYS, Calif. — Neiman-Reed's Lumber City has completed a $300,000 retrofit of its Woodland Hills store, the second in the 12-unit chain to undergo a major retrofit. The rehab program began last fall at Lumber City's Crescenta Valley store.

Lumber City Chairman Robert Neiman said the Woodland Hills unit's selling floor was increased 25% and its outside nursery was expanded to make the unit "look like an entirely new store."

Industry stocks remain bouyant

NEW YORK — Home Center industry issues remained bouyant through the reporting period concluded March 7, with gainers outnumbering losers 45 to 8. Four stocks were unchanged. While the numbers this period reflect a drop from last periods impressive surge, the activity nonetheless remains healthy.

Wolohan Lumber topped the retail gainers list rising by 31.5%, to close at $8.88.

National Lumber also turned in a healthy increase, rising by 25% to close at $5.00. Other leaders in the gainers column include Wickes Cos., up 19.4% to close at 5.38% and Scotty's, up 13.3% to close at $17.00.

See financial tables page 88.

45 Gainers

Unchanged

Losers 8

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Vol. 12, No. 7 March 24, 1986

Its official: Lowe's reaches $2B

By an NHCN staff editor

NEW YORK — Lowe's, the chain of 284 stores based in North Wilkesboro, N.C., has become the first home center chain to achieve annual revenues of over $2 billion.

Speaking before securities analysts here, company vp of corporate relations Cliff Oxford said that the company's revenues totalled $2.072 bil. for the 12 month period that ended Jan. 31. This represented a 23% increase over the revenues of the previous year.

News of the healthy increase in revenues, and a perception that the firm's earnings would exhibit healthy gains in 1986, sent the company's stock to an all time high of 37-1/2 on March 6.

Net earnings for the year fell by 3%, to $59,714,000. The company said that the impact on earnings during 1985 was due to planned expenses resulting from its expansion programs. Selling, general and administrative expenses rose by 60 basis points to a level of 16.55% of sales in 1985.

A softening of gross margin was another contributor to the profit decline last year. Gross margin for the year was 24.71%, representing a decline of 55 basis points over the year before.

"We do not feel that the erosion in gross margin is coming from the competitive market," said Oxford. Instead, he blamed three main factors: increased inventory shrink, the results of the former Boise Cascade stores where pro business still accounts for 87% of trade and which are still not up to speed with the company's new computer system, and costs related to the new Villa Rica, Ga. distribution center. Lowe's includes distribution costs in its cost of goods sold.

"We expect to see better results in the first and second quarters," said Oxford. He added that the company was already performing better than the 17% increase in annual sales that it was originally projecting for 1986. The company is now projecting earnings of up to $2.00 per share for the coming fiscal year. If that level is reached, it will represent a 22% increase over the $1.64 per share achieved in 1985.

Oxford noted that although Lowe's shrinkage had increased over the past year, it was still lower than that experienced by the average home center retailer.

Hechinger modifies warehouse

By Laura Liebeck
NHCN staff editor

COLUMBUS, Ohio — Hechinger, the 54-unit home improvement retailer based in Landover, Md., last month opened the second of three units planned for this growing midwestern city. The unit reflects a shift in the way the company is merchandising its warehouse-type stores.

Located on the growing west side of Columbus in a former Levitz furniture store that has a 35-ft. ceiling, the 100,000-sq.-ft. store, including warehouse space, has more of the company's home center look—wider aisles, less warehouse racking and "more of a fashion flair," said one observer, who asked not to be named.

Hechinger officials would not comment on the store. The Landover-Md.-based retailer will open a third store in this market later this year.

Hechinger's newest unit in Columbus, Ohio reflects a shift in the company's merchandise strategy. A 35-ft. high ceiling houses a 100,000-sq.-ft. store.

Photo courtesy of Hechinger

Hechinger will add approximately 12 new stores in fiscal 1986, among them a unit in Fredericksburg, Va., and Greenville, S.C. Other new store locations include Deptford, N.J., Allentown, Penn., Fayetteville, N.C., Syracuse, N.Y., Huntington, L.I., N.Y., and an eighth store in Baltimore, Md.

Highlights in this issue

Perspectives — *cover story*

NATIONAL HOME CENTER INDUSTRY ADVERTISING AND MARKETING AWARD WINNERS

Retailers and manufacturers garnered 29 Golden Hammer awards, 27 Silver Hammer awards, and 25 Awards of Merit in recognition of outstanding advertising and promotion efforts at the second annual Home Center Industry Advertising and Marketing Awards banquet held March 11 in Chicago —21

people

- Dencil B. Gold named new pres. at Spenard —63
- Home Center Show selects 8 for three year terms on board —63
- Canadian Lumber Assn. elects Furman to U.S. director —63

merchandising

- Energy conservation category remains strong & viable —45
- Higher end caulking increases margins 35-45% —49
- Skylight installations projected to increase 40% in '86 —50

ADVERTISING & MARKETING

- Scotty's uses Buyer's Guide as product training manual —72
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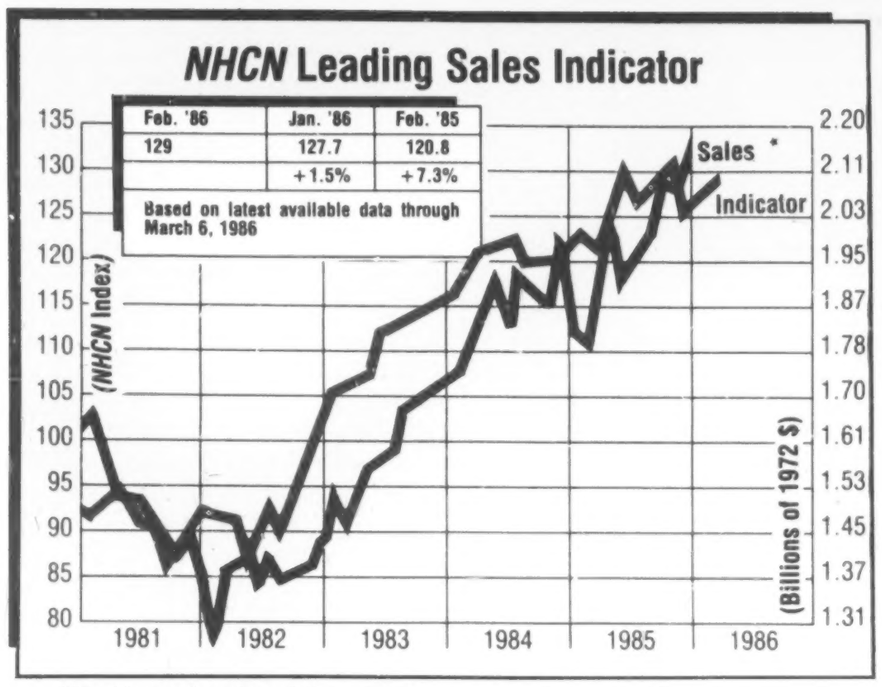
BUSINESS WATCH



*—Monthly retail trade building materials and supplies in 1972$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

The *NHCN* Leading Sales Indicator, sparked by the continued strength in home resales, rose 1.5% in February to a level of 129.6. Preliminary data suggests that March will ease to 129.2, indicating continued strength in building material sales.

Home resale market to rise 4% in 1986; building material sales to climb 10.5%

By Richard E. Mount
Special to NHCN

Home resales will rise at least 4% this year, possibly more, with much of the strength occuring in the first half.

Mortgage rates, still declining, will soon be below 10%. And because weak economic conditions in many regions are forcing homeowners to sell, buyers are turning in large part increasingly to resales rather than new homes.

Price is a key factor. Existing homes average $11,000 less than new. In the second half of 1986, however, resales will edge lower. Mortgage rates will rebound when oil prices stabilize.

The strength in resales in

Richard E. Mount

1986 follows a resale market that has been good since 1983. That in turn should provide owners of building material and supply stores an increase in sales of 10.5% in 1986, 7% after adjusting for inflation.

Review of resales 1983-85

Sales of existing homes began to climb rapidly in the third quarter of 1982, with a seasonally adjusted annual sales rate of 1.9 million units. Lower interest rates, an expanding economy and the growing use of adjustable rate mortgages caused the upturn. The number of resales, down to 2 million units for the year 1982, rose to 2.7 million in 1983 and 2.9 million in 1984.

Resales rose steadily through 1985, from 3 million units at a seasonally adjusted annual rate in the first quarter to 3.5 million in the fourth. An-

(Continued on page 5)

Home Center Industry—General Business Outlook

		1985				1986						
		1Q	2Q	3Q	4Q	1Q^p	2Q^p	3Q^p	4Q^p	1984	1985	1986^p
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**120.2**	**124.3**	**125.2**	**123.5**	**128.8**	**130.1**	**129.7**	**129.4**	**117.8**	**123.3**	**129.5**
General Economic Outlook												
	GNP $1982 Billion	**3,547.8**	**3,557.4**	**3,584.1**	**3,594.8**	**3,639.1**	**3,672.6**	**3,712.2**	**3,753.4**	**3,774.7**	**3,571.0**	**3,694.1**
	Real Disposable income $1982 Bil.	2,482.7	2,532.2	2,503.1	2,517.6	2,543.2	2,568.1	2,593.6	2,617.3	2,468.4	2,508.9	2,580.6
	Housing Permits (000 SAAR)	1,667	1,731	1,762	1,741	1,780	1,700	1,650	1,630	1,682	1,739	1,754
	Housing Starts (000 SAAR)	1,761	1,743	1,687	1,747	1,880	1,820	1,770	1,750	1,750	1,736	1,764
	New Home Sales (000 SAAR)	670	680	711	691	740	720	720	700	639	686	720
	Resales (000 SAAR)	2,970	3,047	3,363	3,497	3,450	3,400	3,350	3,250	2,868	3,216	3,363
	Prime Rate %	10.5	10.2	9.5	9.5	9.2	9.0	9.0	9.0	12.0	9.9	9.1
	Mortgage Rate % (HUD)	13.0	12.9	12.1	11.8	11.0	10.9	10.9	11.5	13.8	12.5	11.1
	Consumer Price Index (1967 = 100)	317.8	321.1	323.0	326.3	328.1	330.2	332.5	335.1	311.1	322.1	331.5
	Producer Price Index (1967 = 100)	292.1	293.8	293.1	296.5	295.7	295.0	294.7	295.3	291.2	293.9	295.2
	New Housing Affordability 1980 = 100	113.7	112.6	119.3	119.3	128.3	128.8	128.9	123.9	102.2	116.2	127.5
Residential Alterations and Repairs												
Current	**Total $ millions (SAAR)**	**84,900**	**70,400**	**70,575**	**72,928**	**75,498**	**77,773**	**80,356**	**82,801**	**69,784**	**74,701**	**79,107**
	Maintenance and Repair	37,300	32,400	30,888	32,074	33,102	34,149	35,212	36,294	28,894	33,165	34,689
	Additions and Alterations	29,700	25,600	26,672	27,359	28,234	28,964	29,795	30,458	27,822	27,333	29,363
	Major Replacements	17,900	12,400	13,015	13,495	14,161	14,661	15,349	16,050	13,067	14,203	15,055
Constant	**Total Millions ($1977 SAAR)**	**49,739**	**40,975**	**40,670**	**41,610**	**42,650**	**43,500**	**44,500**	**45,400**	**41,134**	**43,249**	**44,013**
	Maintenance and Repair	21,853	18,858	17,800	18,300	18,700	19,100	19,500	19,900	17,029	19,203	19,300
	Additions and Alterations	17,400	14,900	15,370	15,610	15,950	16,200	16,500	16,700	16,406	15,820	16,338
	Major Replacements	10,487	7,217	7,500	7,700	8,000	8,200	8,500	8,800	7,699	8,226	8,375
Retail Trade Activity												
Current	**Total $ Millions (SAAR)**	**1,339,688**	**1,374,052**	**1,403,728**	**1,390,696**	**1,417,964**	**1,440,703**	**1,462,555**	**1,489,775**	**1,297,015**	**1,377,862**	**1,452,749**
	Total Minus Automobile	1,043,440	1,062,084	1,071,676	1,089,372	1,096,839	1,112,254	1,128,507	1,146,482	1,020,007	1,067,861	1,121,021
	Building Material, Hardware, Garden Supply, Mobile Home	69,016	72,024	73,132	76,912	77,164	78,143	79,168	80,136	68,703	72,947	78,653
	Building Material and Supply	50,468	53,012	53,248	56,676	56,700	57,958	58,921	59,839	49,774	53,534	58,355
	Hardware	9,844	9,984	10,256	10,536	10,509	10,660	10,744	10,804	9,530	10,152	10,679
Constant	**Total Millions ($1972 SAAR)**	**636,632**	**651,792**	**664,008**	**657,228**	**663,480**	**667,445**	**670,860**	**676,580**	**621,128**	**652,415**	**669,591**
	Total Minus Automobile	497,904	505,112	509,272	518,500	516,885	518,960	521,330	524,390	489,405	507,697	520,391
	Building Material, Hardware, Garden Supply, Mobile Home	30,476	31,908	32,537	34,077	33,850	33,940	34,045	34,120	31,185	32,250	33,989
	Building Material and Supply	22,284	23,484	23,690	25,108	24,870	25,170	25,335	25,475	22,623	23,642	25,213
	Hardware	4,344	4,424	4,563	4,668	4,610	4,630	4,620	4,600	4,334	4,500	4,615
	Building Materials % of Total Less Automobile ($Current)	4.84	4.99	4.97	5.20	5.17	5.21	5.22	5.22	4.88	5.01	5.21

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
March 6, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Resales to be strong in first half of '86; mortgage rates to fall below 10% level

(Continued from page 4)
nual sales rose 12% to 3.2 million units their highest pace since 1979.

Resale markets for building material products

Resales provide three distinct markets for building material sales:

1. When a home is put on the market, the owner does minor painting, carpentry and plumbing projects and repairs for the sake of getting a higher price. Some repairs may be necessary to meet local ordinances before the home can be sold.

2. After the sale, the buyer transforms the house into a home. He may repaint the interior, hang wallpaper and replace carpeting. Sometimes he will make major repairs to heating and electrical systems.

3. After living in the home for a few years, the owner starts big-ticket improvements, finishing basements and adding rooms to enlarge the usable space. Such improvements are expensive and generally undertaken by people with rising incomes when interest rates are low.

Building material sales

Building material sales to the fix-up, pre-sale market will begin to decline in the second half of the year. The decline will be slow, although sales volume will still be high. However, this market accounts for a small part of total building material sales.

Building material sales to buyers of existing homes will continue to expand. As six to nine months generally lapse between home purchase and finishing home improvement projects, sales will rise in the first half of 1986.

Big-ticket improvements

Big-ticket improvements will increase this year. Interest rates continue to fall, making home improvement loans more attractive. Rising employment and income will allow homeowners to modernize and expand recently purchased homes. From 1983 to 1985, more than 8.8 million existing homes were sold, making a large market for major alterations and additions. Many of the 80 million homes, those not sold in the past three years, are candidates for improvements. The rise in resale values over the coming year financially justifies the upgrading of homes.

Owners making big-ticket renovations, meanwhile, are shifting purchases toward higher quality goods. For stores carrying these products, sales will increase. More expensive carpet is replacing contractor-quality carpet; hardwood flooring and ceramic tile is replacing previously carpeted areas.

The typical homeowner is older than he was a few years ago, as the average population has aged, and is approaching peak earning years. Lower consumer prices and home appreciation in the 1980's has encouraged homeowners to improve their homes rather than trading as in the 1970's.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

European-based GB-Inno-BM ups stock holdings in Scotty's to 24.3%

WINTER HAVEN, Fla. — GB-Inno-BM, through its wholly-owned subsidiary, Eufidis B.V., has increased its ownership stake in Scotty's, the 125-unit home improvement retailer based here. Between Jan. 10 and Jan. 31, Eufidis and GB-Inno-BM purchased 173,600 shares of Scotty's common stock, increasing the total number of shares controlled by GB-Inno to 3,510,783 or approximately 24.3% of the issued and outstanding shares.

Prior to the recent stock acquisitions, GB-Inno, a Belgian-based retail conglomerate with extensive holdings in home improvement chains throughout Europe, as well as a 65% interest in Handy Andy Home Improvement Centers, Gurnee, Ill., owned 22.61% of Scotty's stock.

According to a Schedule 13D filed with the Securities and Exchange Commission on Feb. 20, the European investor paid between $14⅛ and $15 per share for the Scotty's stock. Additionally, GB-Inno transferred its shares in the Florida chain to Eufidis, but remains an indirect owner.

Under an agreement between the two companies, GB-Inno last year sought and received approval from Scotty's to increase its stake to as high as 26% in order to take advantage of a 10% tax reduction available to European firms that own at least a 25% share of a U. S. company. A separate agreement binds GB-Inno to offering Scotty's the right of first refusal if GB-Inno decides to dispose of its stock holdings.

Francois Vaxelaire, GB-Inno's chairman, and Jacques Dopchie, its vp and managing director, are both members of Scotty's 11-man board of directors.

Handyman posts 4th qtr. sales of $52.8M

SAN DIEGO — Handyman Corp., the former home center division of Edison Brothers Stores that was spun off as a publicly traded company last summer, reported sales for the fourth quarter were $53.8 million and yearly sales hit $228.2 million, for periods ended Dec. 28, 1985.

For stores open during these periods in both 1984 and 1985, sales increased 10.6% for the quarter and 7.7% for the year. Sales for all stores were up 8.2% in the fourth quarter, while full-year sales decreased 15.1% due to the closing of 21 Texas and Oklahoma stores during the third quarter.

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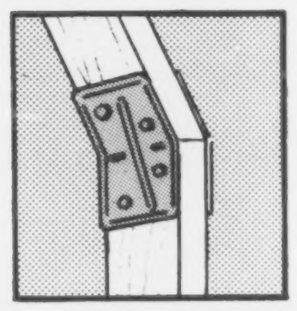

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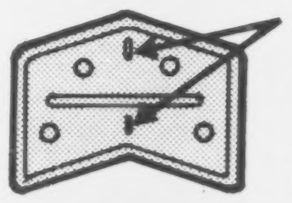

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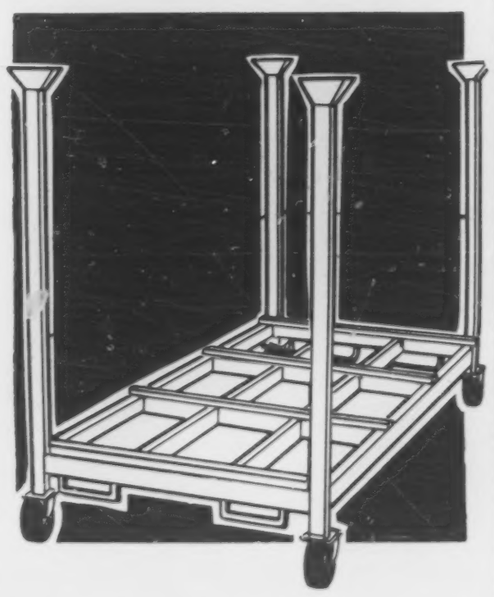

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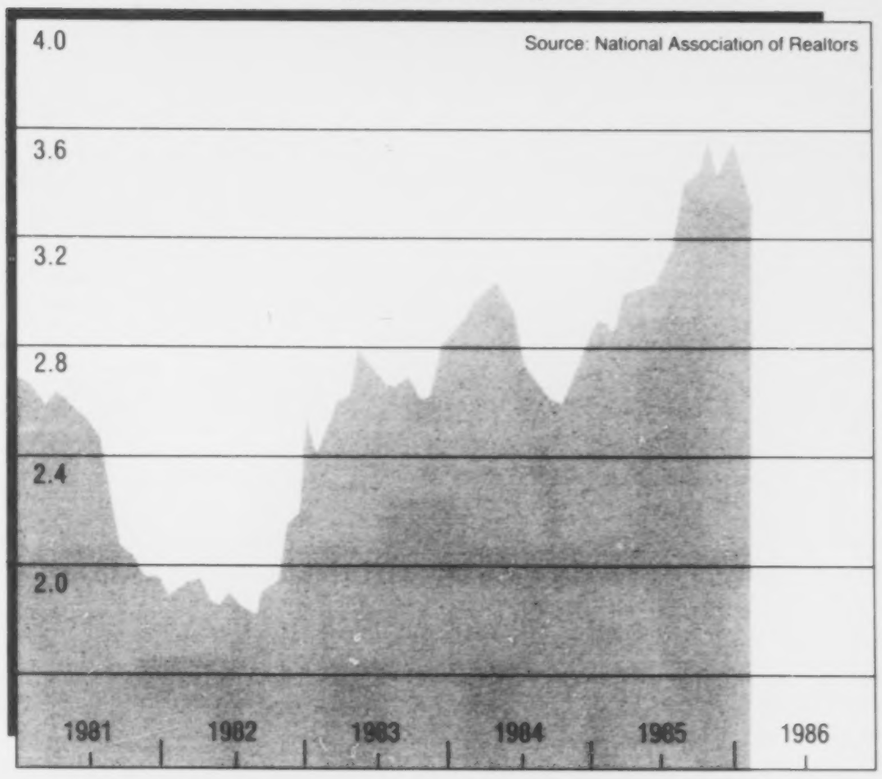
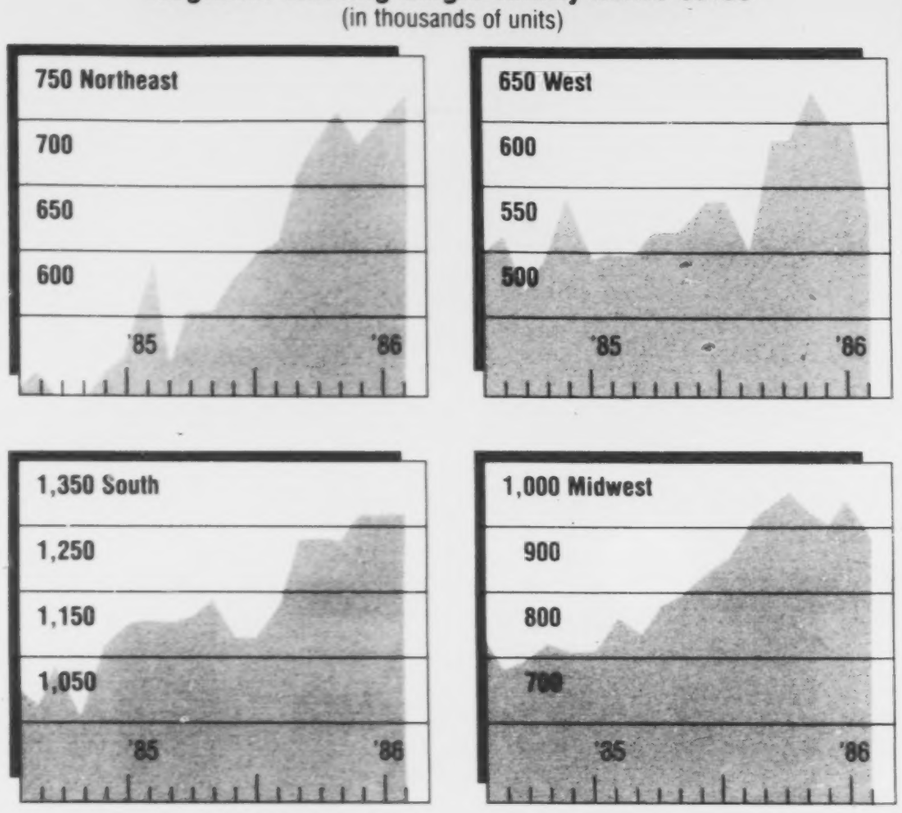
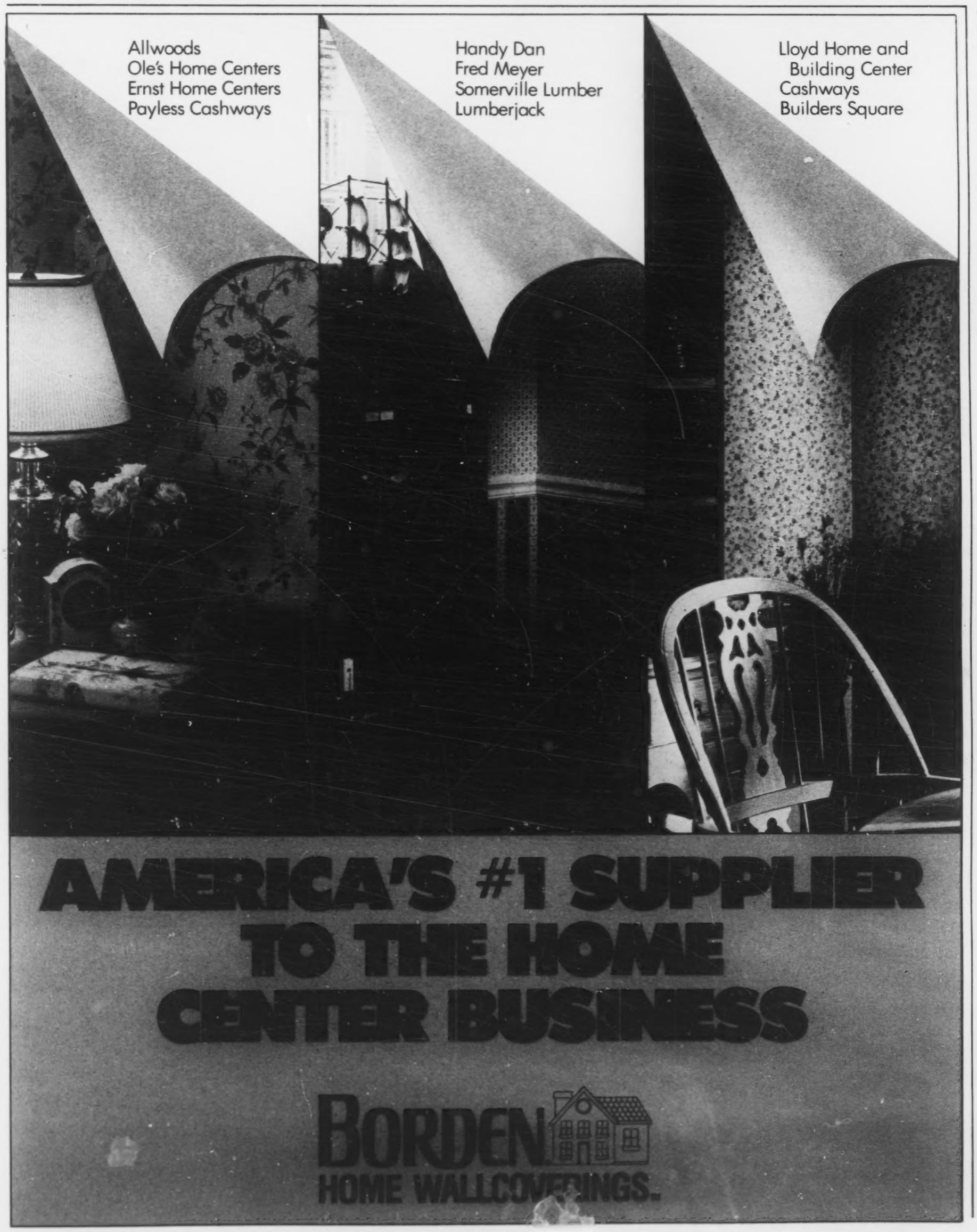
HOUSING WATCH

National existing single-family home sales
(in millions of units)



Regional existing single-family home sales
(in thousands of units)





January home resale rates decline 5.7%

NATIONAL REPORT — The resale home rate dropped 5.7% in January to a seasonally adjusted 3.32 million units, according to the National Association of Realtors.

Despite the decline, the January results represented the 10th consecutive month that the resale rate has been above the 3 million-unit mark, leaving NAR officials optimistic about sales activity for 1986.

"As mortgage interest rates continue to edge downward and with home prices increasing only modestly in many areas of the country, buyers will find a plentiful supply of homes," asserted Clark E. Wallace, president of the NAR. "I see home resale activity continuing to be vigorous throughout 1986, even outpacing last year's record of 3.214 million units."

Economists at the NAR are forecasting that 3.54 million previously-occupied single-family homes will be sold this year.

Last month, The Federal Home Loan Bank Board reported that the average effective interest rate on fixed-rate loans closed for previously-occupied homes was 11.41%, compared to 13.07% a year earlier.

Association economists are also projecting that single-family home prices will rise with inflation, about 3.5% to 4% this year and by another 4% in 1987.

In January, the only region to record an increase in activity was again the Northeast. The nine-state region, which set new sales records last year, posted a sales gain of 4.3%, to 730,000 units, seasonally adjusted, for the first month of 1986. The median cost of a previously occupied home here also rose, by $5,700, to $99,400.

The Northeast now has the most expensive resale homes, having overtaken the Western region for the first time.

The resale rate in the West fell 11.7%, to 530,000 units, seasonally adjusted. Home price also declined there, by $1,100 from December, to $93,400.

The nation's largest region, the South, with 17 states included, posted a 7.1% decline in home resales in January, to 1.18 million units, seasonally adjusted. Home prices rose, however, by $2,000 to $76,100.

Resale activity in the Midwest also declined in January, by 6.3%, to 890,000 units, seasonally adjusted. The cost of an existing single-family home in this region rose $2,000 from December.

Median sales price
(in thousands of dollars)

	Jan.[p]	Dec.[r]	Nov.	Oct.
U.S.	77.0	75.5	74.6	74.8
Northeast	99.4	93.7	89.3	90.4
South	76.1	74.1	74.2	73.8
Midwest	60.5	58.6	57.5	57.8
West	93.4	94.5	94.7	96.9

[p]-preliminary [r]-revised

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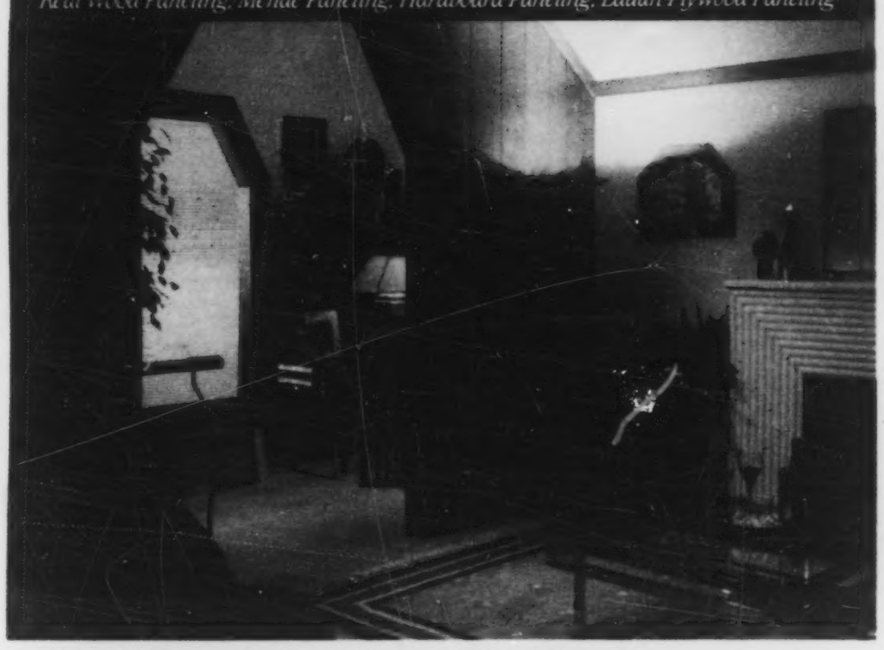

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LUMBER REPORT

Decorative panel manufacturers join forces for new association

By Milford Prewitt
NHCN staff editor

NEW YORK — Several decorative panel manufacturers have joined forces to create the first promotional association for the product, with the key objective of overturning the assumptions of homeowners that panels are good only for the basement.

While the association's name might seem misleading, the goal of the Plywood Paneling Council (PPC) is clearly to show the widespread room applications of the product.

Through aggressive marketing and promotional tactics and the support of a Manhattan-based public relations firm, the PPC envisions giving wallcoverings a closer run for market share.

The group had a coming out party of sorts during the National Home Center Show in Chicago last week where decorative panel manufacturers emphasized the theme that plywood prefinished panels have now reached a stage of refinement and style that rivals wallcovering for all taste.

From Weyerhaeuser's new space-age holographic design prints to U.S. Plywood's Gloria Vanderbilt designs, the manufacturers seem confident that they have a selection to make retailers optimistic and to turn homeowners away from paint and wallcoverings.

Howard Steinberg, president of Ply Gem Manufacturing and chairman of the marketing committee of the group, said the decorative panel makers are excited about the potential the new association offers for market growth.

"What we are doing is almost similar to what orange juice people did when they had the idea it's not just for breakfast anymore," Steinberg said. "Well, we want the homeowner to know that they don't have to put panels in their basements or den anymore.

> *'What we are doing is almost similar to what orange juice people did when they had the idea it's not just for breakfast anymore.'*
>
> **—Howard Steinberg,** *president, PlyGem*

"With the new designs and patterns we have now, the product can go in every room in the house."

Frank Bluel, director of marketing services for U.S. Plywood, said he frequently wondered why the decorative panel manufacturers had never organized a promotional arm for the industry previously, especially in light of the erosion in market share the industry sustained during the past ten years.

However, in answering his own question, Bluel speculated, that none of the big manufacturers wanted to individually invest the time and money it would take to elevate the image of decorative panels since the large integrated companies do not depend on the category as a strong sales performer.

In the case of U.S. Plywood, Bluel said only 10% of the company's sales last year were derived from decorative panels.

But with an industry-wide association, the economies of prospering from a pool of promotional finances works to help all the companies, Bluel said.

"The way the industry has suffered in the past few years, none of us would have wanted to spend the kind of money it would take to do something like this alone," Bluel said. "I guess when you look at floor tiles, and roofing, and lighting, we are probably the last home center category to form an association.

"It's no question in my mind that this should have been done a long time ago. There should be a concerted effort on the part of the pre-finished plywood manufacturers to bolster the image of the product to the consuming public and the home builder."

Bluel said one of the immediate advantages of the new group is that new products will enjoy quicker exposure to the market than without an industry association.

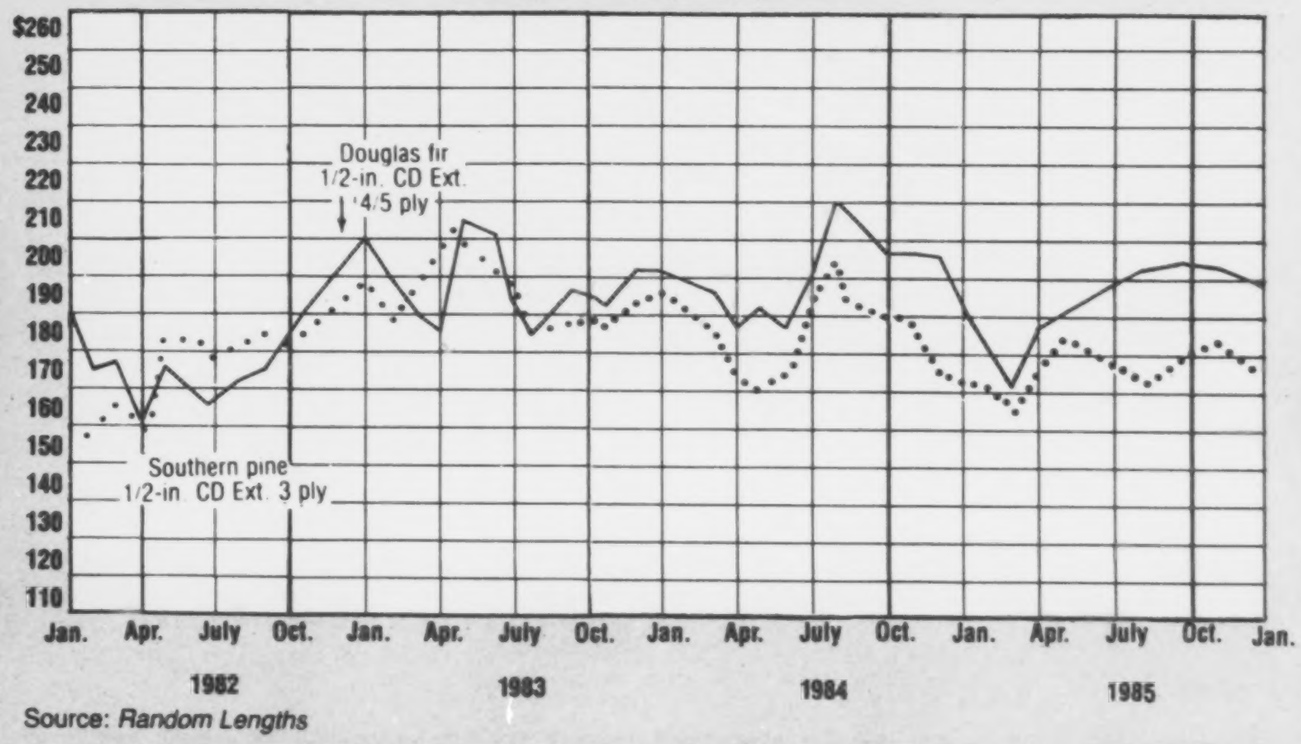
Membership in the group is limited to those manufacturers who use plywood plys as the substrate for their panels. As a result, Abitibi-Price, one of the nation's leading decorative panel makers, has not been invited to join the group. The apparent underlying guideline behind the strict plywood membership policy is the group's view that plywood ply's are superior in stability and workability than hardwood, particleboard or masonite backed decorative panels.

Jane Cornell, vice president of Creamer, Dickson, Basford, Inc., said the group will establish a permanent headquarters in Manhattan and will man a resource center that will display about 50 samples of each of the decorative panels member manufacturers make.

Other charter members in the group include Georgia-Pacific, States Industries, Davidson/PWP and Plywood Panels Inc.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

The third and fourth quarters of 1985 witnessed divergent price levels between major plywood products. Southern pine 1/2-in. CD 3-ply sold as high as $183 per thousand board feet in November, before ending the year at $179. Douglas fir 1/2-in. CD Ext. 4-5 ply held steady through most of the last six months of 1985, staying within a dollar of $203 per thousand board feet before ending the year at $197.

Perspectives

merchandising

Higher-end caulking increases margins 35-45%

By an NHCN staff editor

NATIONAL REPORT — When Foxworth-Galbraith removed all of the low-priced, oil-based caulking from the shelves of its 53 stores last year, the move reflected a larger trend toward longer-lasting, higher priced caulking in the home center industry.

Now that consumers have become more experienced in fixing up their homes, say retailers, they have had enough time to get burned on low end caulking that looks great when it's first applied, but starts peeling a year later and requires replacement.

Latex, acrylic and silicone caulking, with their longer lasting qualities, have become more appealing than ever before.

"The consumer can buy good quality latex caulking for 79¢, and that includes a 25-year guarantee, that kicks the low-end caulk off the shelf," said David Moskowitz, buyer at the Dallas-based chain.

"There's no doubt the consumer is much more sophisticated now," said Dave Smith, senior buyer at Busy Beaver, the chain of 11 home centers based in Pittsburgh. "We're dealing with the second and third generation of do-it-yourself customer." Sales of caulking made of silicone have doubled at Busy Beaver over the past year. This is in spite of the fact that a tube of silicone caulking often sells for about $4.99, while acrylic goes for $2.39 and latex for 99¢. The company has not sold oil-based caulking for two years.

Other home center operators report similar results. At Star Lumber, the chain of three units based in Wichita, Kan., oil-based caulking, which once accounted for 5% of sales, now accounts for less than 3%. Latex accounts for 40%, a siliconized latex 30%, and silicone about 27%.

The diversity of adhesives products has brought about a variety of presentations at home centers. These include a gondola run of household cement at Builders Square, Chicago (top), warehouse racking of cement at Lindsley, St. Petersburg, Fla. (right), and endcap of cartridge adhesives at Handy Andy, Arlington Heights, Ill. (left).

Home center operators say there is a terrific benefit to the consumer's desire to step up into higher end caulking: the margins are greater. A product that may appear to outsiders to be nothing more than a "commodity in a tube" with an attendant low margin, actually carries healthy margins of 35-45%. Further, the item can turn six times a year, and sometimes eight.

If the consumer has been the driving force behind the move toward upper end caulking, vendors haven't been resting. One of their most prominent moves has been the provision of long term guarantees of the higher priced items.

"Until recently, price has been the key motivator for the consumer," said Kirby Aiken, manager of product marketing at Macklanburg-Duncan, Oklahoma City. "Now, vendors are offering five year to 35-year guarantees." Red Devil, Union, N.J. offers a lifetime guarantee on its siliconized acrylic caulk.

"The consumer is willing to pay more for the caulking that lasts longer," said Steve Elliot, merchandise manager of O'Malley's, the chain of 19 stores based in Phoenix.

While consumers have gained greater experience in the use of caulking, retailers also report that a good deal of confusion still exists regarding the vast array of caulking varieties on the shelves. While shoppers know they want long-lasting caulk, they often don't know exactly which latex, acrylic or silicone variety to buy.

The result is a new round of more descriptive labeling.

"What used to be labeled just 'acrylic caulking' is now labeled 'window caulking' or 'bathtub caulking'," said Gary Hageman, paint and sundries buyer at Star Lumber. "It's great for the consumer."

And while vendors are catering to the needs of the experienced user, they are not forgetting the new entrant into the DIY field, or the older one who just wants an easier way of doing a job. Prime evidence of this is the growing incidence of "press-in-place" type caulk.

"I've carried that type of caulk for a couple of years, but recently I've seen the vendors broaden the category," said Hageman of Star. "It was primarily used for windows, but now it's available for bathtubs. And new colors are available. I'm planning to add brown soon."

"I'm taking a look at press-in-place," said Smith of Busy Beaver. "It's less messy and easier to handle. It may appeal especially to the female shopper who wants to do repairs around the house."

Improved packaging for adhesives ups product demand, gross margins

By an NHCN staff editor

NATIONAL REPORT — Retailers are enjoying increased margins in their adhesives, caulks and sealants departments and are taking steps to enlarge the departments with new items.

Home center operators said that vendors were introducing better packaging for the upper-end merchandise, which usually has better margins than the cheaper varieties of adhesives and caulks. The packaging helps increase demand for the items on the part of consumers who, more than ever before, are becoming aware that the higher priced adhesives and sealants last longer on the job.

Helping keep the gross margins high is the increasing incidence of private labeling, which helps retailers avoid the head-to-head price cutting that often accompanies brand competition. Retailers seem to feel that the public has little awareness of caulk and adhesive brands.

At the same time, the large number of vendors selling caulk seems to be a continuing force that helps maintain the margin spread by keeping costs down.

In a survey of 50 home center companies completed for *NHCN* by Lebhar-Friedman Research, New York:

- Some 40% of respondents said they had increased the number of stock keeping units in the department last year, while 32% plan to increase such selections this year,
- Of total respondents, 44% said they had increased gross margins by an average of 2.8% in the department,
- Respondents said they expected the overseas-produced portions of such departments to increase over the coming year.

Another reason for the attention, they said, was the advent of more private label merchandise, which can be purchased for less than name brand products that have the costs of vendor advertising built in.

Private label items allow the retailers to avoid head-to-head competition. And, say some retailers, there is little public perception of name brands in the departments.

"We started carrying private label items in the department a year ago," said Steve Elliott, merchandise manager of O'Malley's, the chain of home centers based in Phoenix, Arizona. "Our sales have been tremendous." The chain now has private labels on four items in the department: oil based caulk, latex caulk, construction adhesives, and roof adhesive.

Adhesives, Caulks and Sealants
NHCN Home Center Survey

	% of Respondents
Increased sku's in department last year ('85)	40.0
Plan to increase sku's this year ('86)	32.0
Portion of mix manufactured outside U.S.	1.9
Expected offshore portion of mix a year from now	2.3
Portion of category purchased direct from vendor	62.1
Respondents increasing gross margin in department last year ('85)	44.0
Mean increase in such gross margin	2.8
General Survey Information	
Number of survey respondents	50.0
Average showroom size	12,396 sq. ft.
Average department size	614 sq. ft.
Average portion of annual sales accounted for by the department	6.3%

Source: Lebhar-Friedman research, New York. *NHCN* chart.

In a recent survey commissioned by *NHCN*, more than two of every five respondents increased the gross margins in their adhesives departments last year.

At Busy Beaver, Pittsburgh, a private label program that has been around for several years, now accounts for about half the product in stock. And Foxworth-Galbraith, Dallas, has had a private label program for two years that buyer David

(Continued on page 54)

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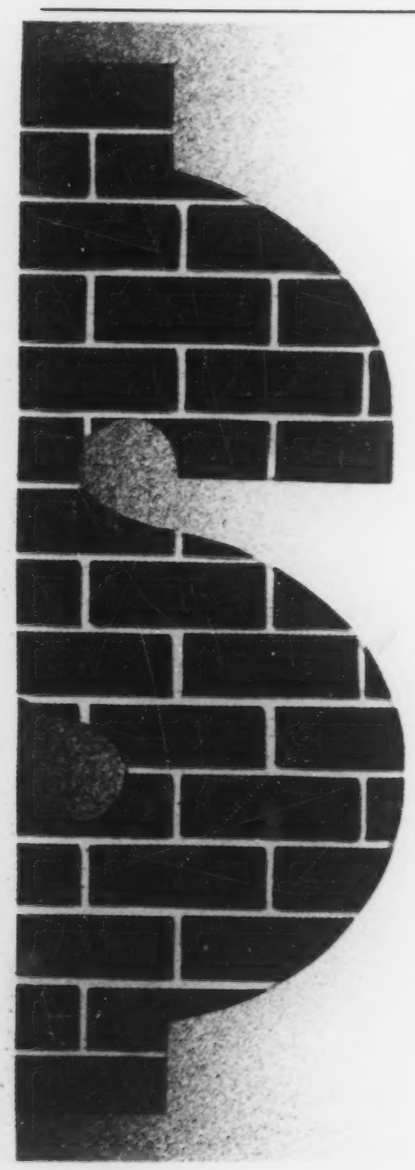

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merchandising

Gross margins up for adhesives

(Continued from page 49)

Moskowitz said helps the company compete in the price point market.

As for the high incidence of direct purchase of such goods, retailers pointed to the volume of product moving through home centers as a contributing factor. Direct purchase is a further contribution to a healthy gross margin for the department. At O'Malley's, about 70% of adhesives items are now purchased directly, up from 50% a year ago.

More descriptive labels are being applied by manufacturers to adhesives, just as they have been to caulks, in an attempt to make the wide selection of the product more understandable. Retailers say that such labeling helps spur demand for the product since it helps give consumers more confidence in their ability to select the right adhesive for the job at hand.

Miracle Adhesives, Bellmore, N.Y., has begun printing descriptive line drawings on the labels of its adhesives products, for example.

Manufacturers provide how-to info for skylights

(Continued from page 52)

"There was a time in real estate ads where people used to push the idea of having fireplaces," Bechtold continued, "Now you see them mentioning skylights in the ad because its a feature that increases the cost of the house."

For Gee Lumber & Hardware in Chicago, skylights may not be setting the world on fire in volume, but it is a category to maintain, according to Dan Benigno, the buyer of the product.

Benigno said that while skylights may not be DIY products, he has found that upper-income, white-collar home owners are willing to install the product in their homes in affluent communities served by the chain's suburban-Chicago units.

"I think a DIYers biggest fright is the leakage problem," Benigno said. "If they can overcome that, I think they'll buy it.

"But if you operate a service-oriented company where you have a good sales person on the floor who can take that DIYer from step A to Z, there should be no problem selling the product."

A unique promotional step Gee Lumber uses to push the product is to include skylights in its "New and Hard to Find" advertising circulars that are released seasonally. In the case of skylights, Benigno said the company uses the promotional device May through August when skylight sales are brisk.

In a final step to augment roof window movement at Gee Lumber, that is similar to other retailers, Benigno said the

(Continued on page 58)

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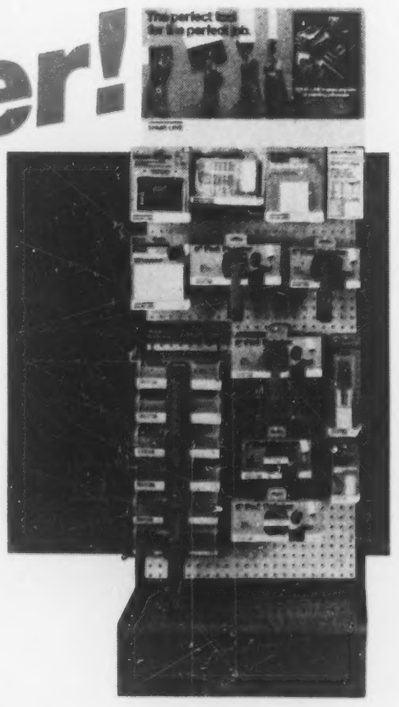

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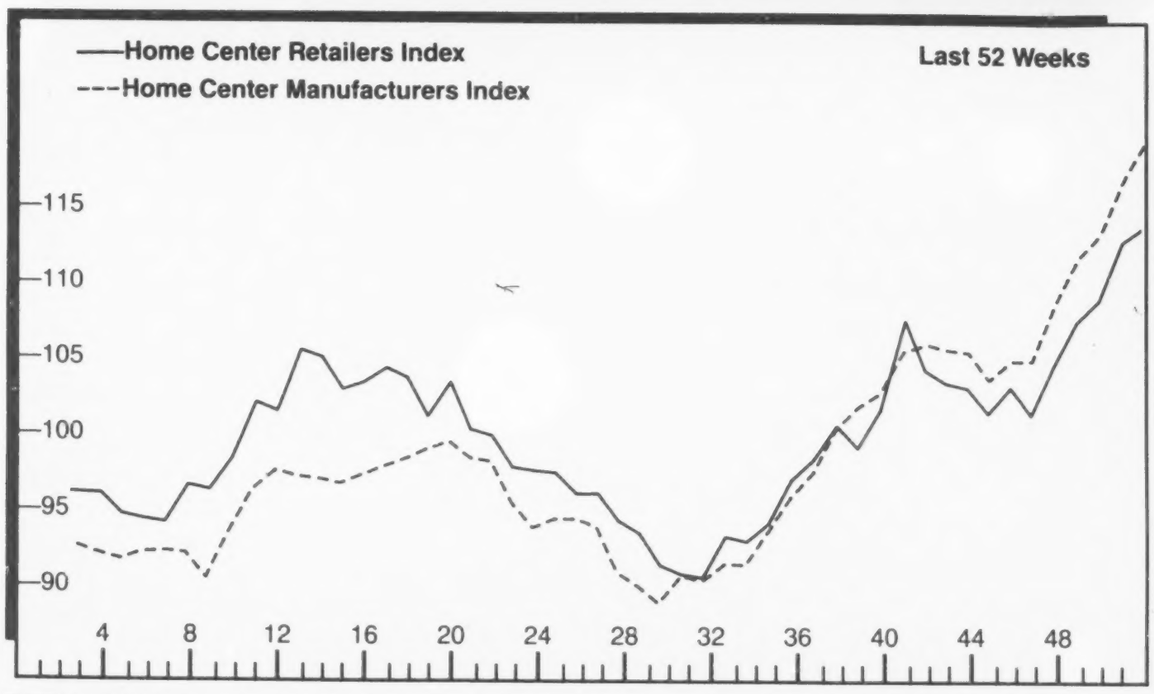


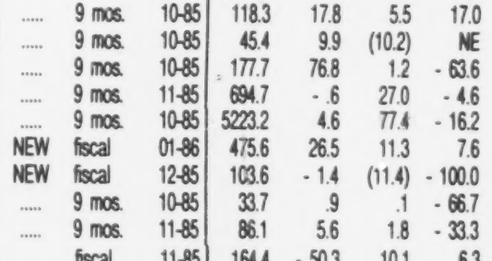
RETAIL INDICES: *NHCN* tracks home center retailers' stock issues as well as manufacturers' market value, and compares their market value trends to a separate graph of Standard & Poor's 500 stocks over the past 52 weeks.

Source: Media General Financial Services Inc.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
		(100)	%	%
Triangle Pac	N	6,566	690.0	14.6
Zayre Corp	N	20,431	420.1	.4
Certain-teed	N	6,706	405.7	5.9
Wolohan Lumber	M	3,600	380.5	31.5
Newell Co	N	4,779	369.5	- .9
Wickes Cos	A	192,648	337.7	19.4
Owens Corning	N	22,280	313.3	16.0
Armstrng Wrld	N	14,998	311.8	19.3

Volume Trend Change measures the increase or decrease in trading activity over the latest two-week period compared to the previous 12 weeks. The percentage is the difference between the percentage of outstanding shares traded in the two-week period and the average volume as a per cent of outstanding shares over the previous 12 weeks.



PRICE MOVEMENT

Company & Market		2-Weeks Ended 3-7-86	2-Week Price Change	Total 2-Week Volume
TOP GAINERS		$	%	(100)
Wolohan Lumber	M	8.88	31.5	3,600
Natl Lumber	M	5.00	25.0	872
Wickes Cos	A	5.38	19.4	192,648
Armstrng Wrld	N	59.63	19.3	14,998
Owens Corning	N	49.00	16.0	22,280
USG Corp	N	67.00	15.5	12,479
Waxman Ind	M	14.50	14.9	855
Triangle Pac	N	53.00	14.6	6,566
Ply-Gem	A	21.75	14.5	3,430
Scotty's Inc	N	17.00	13.3	3,635
TOP LOSERS		$	%	(100)
Grace W R	N	50.25	- 6.3	30,299
Mor-Flo Inds	M	17.00	- 4.9	430
Homecrafters Whse	M	2.50	- 4.8	1,541
Black & Decker	N	22.63	- 4.2	43,935
INTERCO Inc	N	75.88	- 1.5	3,010
Svc Merchandise	M	13.63	- .9	26,603
Newell Co	N	28.88	- .9	4,779
Walter, Jim	N	50.75	- .7	12,160
Sherwin-Wms	N	56.13	.0	4,674
Insilco Corp	N	21.00	.0	6,596

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 3-07-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile	M	22.38	1.38	6.5	22.63	21.25	22.63	15.25	9,822	10.45	3.63	187.9	15.2	.00	.0	.....	6 mos.	12-85	87.2	4.8	3.3	- 2.9	.34	- 8.1	182.2	14.8	6.6	6.5	.70	2.9
Erb Lumber	M	50.00	4.00	8.7	50.00	44.50	50.00	20.50	109	1.22	.44	177.3	8.5	.00	.0	.....	9 mos.	09-85	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent	A	23.50	1.25	5.6	23.50	22.00	26.13	20.38	87	.21	.11	90.9	43.5	.30	1.3	.....	9 mos.	10-85	72.8	14.3	.0	- 100.0	.00	- 100.0	200.0	5.7	3.6	20.0	.45	12.5
Grace W R	N	50.25	- 3.38	- 6.3	53.88	48.50	57.25	35.50	30,299	5.57	3.36	65.8	17.8	2.80	5.6	.....	fiscal	12-85	2013.2	10.0	44.7	- 24.4	.86	- 29.5	7260.1	7.9	146.9	- 24.9	2.82	- 29.9
Handyman	A	29.00	1.50	5.5	29.88	27.50	29.88	21.75	420	1.66	.44	277.3	NA	.15	.5	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A	M	24.50	1.50	6.5	24.75	22.75	24.50	16.00	4,603	5.26	3.05	72.5	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	24.50	1.25	5.4	25.00	22.75	24.75	16.00	1,242	.92	.42	119.0	25.3	.08	.3	.....	9 mos.	10-85	118.3	17.8	5.5	17.0	.23	9.5	362.2	19.7	16.5	11.5	.70	7.7
Homecrafters Whse	M	2.50	- .13	- 4.8	2.63	2.38	9.75	1.00	1,541	5.45	3.90	39.7	NE	.00	.0	.....	9 mos.	10-85	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot	N	16.25	1.50	10.2	16.50	14.13	20.38	10.50	18,743	7.48	2.37	215.6	45.1	.00	.0	.....	9 mos.	10-85	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc	N	75.88	- 1.13	- 1.5	79.75	75.75	79.75	61.13	3,010	2.12	1.19	78.2	14.7	3.08	4.1	.....	9 mos.	11-85	694.7	- .6	27.0	- 4.6	1.71	216.7	1927.7	- 5.7	61.4	- 15.0	3.89	21.9
K mart Cp	N	38.88	1.75	4.7	41.13	37.13	41.13	30.63	90,343	7.20	2.03	254.7	12.1	1.40	3.6	.....	9 mos.	10-85	5223.2	4.6	77.4	- 16.2	.60	- 15.5	15667.8	10.2	210.7	- 28.5	1.64	- 27.8
Lowe's Cos	N	38.75	3.13	8.8	39.13	34.25	39.13	20.75	25,329	6.83	2.12	222.2	23.6	.36	.9	NEW	fiscal	01-86	475.6	26.5	11.3	7.6	.31	6.9	2072.6	22.7	59.7	- 2.8	1.64	- 3.5
Mich General	A	4.88	.38	8.3	5.25	4.00	7.13	3.25	3,351	2.95	1.86	58.6	NE	.00	.0	NEW	fiscal	12-85	103.6	- 1.4	(11.4)	- 100.0	(1.01)	- 100.0	439.0	- 2.3	(34.6)	- 100.0	(3.06)	- 100.0
Natl Lumber	M	5.00	1.00	25.0	5.00	4.00	7.25	4.00	872	1.55	.56	176.8	25.0	.00	.0	.....	9 mos.	10-85	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak	N	15.13	1.13	8.0	15.63	13.50	15.63	11.50	4,367	4.37	1.54	183.8	18.7	.64	4.2	.....	9 mos.	11-85	86.1	5.6	1.8	- 33.3	.18	- 33.3	259.2	6.4	6.9	- 22.5	.69	- 22.5
Payless Cash	N	21.25	1.50	7.6	21.50	18.50	23.38	13.50	20,356	5.88	2.06	185.4	18.5	.16	.8	.....	fiscal	11-85	164.4	- 50.3	10.1	6.3	.35	20.7	1174.4	.0	37.1	- .3	1.15	.0
Scotty's Inc	N	17.00	2.00	13.3	17.13	14.38	17.13	12.38	3,635	2.52	.84	200.0	14.7	.52	3.1	.....	6 mos.	12-85	120.6	10.0	2.8	- 22.2	.19	- 26.9	230.9	9.3	5.6	- 20.0	.39	- 25.0
Sears, Roebuck	N	44.75	1.13	2.6	45.38	42.00	45.38	31.75	87,855	2.42	1.10	120.0	12.7	1.76	3.9	.....	fiscal	12-85	12068.2	5.2	552.3	- 1.9	1.50	- 2.6	40715.3	3.9	1303.3	- 10.4	3.53	- 12.0
Svc Merchandise	M	13.63	- .13	- .9	14.13	13.38	16.13	11.25	26,603	7.99	5.06	57.9	42.6	.08	.6	NEW	fiscal	12-85	1105.5	51.4	29.1	- 17.1	.87	- 23.7	2526.5	52.5	10.7	- 76.0	.32	- 78.1
Std Brd Pnt	N	24.50	2.13	9.5	24.63	21.25	24.63	18.75	2,380	2.10	1.10	90.9	14.8	.56	2.3	.....	9 mos.	10-85	90.0	10.4	4.0	- 24.5	.35	- 27.1	266.4	9.1	14.2	- 12.9	1.26	- 14.3
Supermkts Gen	N	57.25	.00	.0	57.25	53.50	57.25	33.50	2,396	1.34	.70	91.4	15.9	.48	.8	.....	9 mos.	10-85	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	38.2
Wickes Cos	A	5.38	.88	19.4	5.63	4.50	5.63	3.25	192,648	19.96	4.56	337.7	NA	.00	.0	.....		10-85	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber	M	8.88	2.13	31.5	9.13	6.63	8.88	5.25	3,600	6.15	1.28	380.5	14.8	.16	1.8	NEW	fiscal	12-85	37.4	3.3	1.3	62.5	.22	57.1	150.7	8.3	3.5	34.6	.60	33.3
Zayre Corp	N	65.00	.25	.4	65.75	59.50	66.75	40.31	20,431	6.97	1.34	420.1	20.1	.48	.7	NEW	fiscal	01-86	1499.0	47.1	37.9	9.2	1.14	- 11.6	4036.0	29.2	94.6	17.8	3.23	8.0
Wholesalers																														
Lewis Palmer	M	8.25	.00	.0	8.63	8.00	9.38	6.38	1,360	3.48	1.62	114.8	63.5	.28b	3.4	.....	9 mos.	10-85	39.9	- 9.9	.6	.0	.16	6.7	110.4	- 2.9	.8	- 42.9	.22	- 43.6
Manufacturers																														
Allegheny Int	N	20.13	1.38	7.3	20.13	16.88	28.75	16.50	7,316	6.80	2.45	177.6	NE	.00	.0	.....	9 mos.	09-85	511.5	- .9	(71.4)	- 100.0	(7.35)	- 100.0	1519.2	- 1.0	(56.3)	- 100.0	(7.47)	- 100.0
Am Standard	N	45.00	2.38	5.6	45.00	41.75	45.00	26.75	13,968	3.56	1.81	96.7	14.5	1.60	3.6	.....	fiscal	12-85	413.8	- 52.0	36.2	17.5	.92	17.9	2912.0	- 9.4	122.0	6.2	3.10	1.0
Armstrng Wrld	N	59.63	9.63	19.3	60.00	48.50	60.00	30.38	14,998	6.26	1.52	311.8	14.2	1.30	2.2	.....	fiscal	12-85	426.0	11.4	22.6	20.2	.94	19.0	1679.2	7.0	100.9	9.4	4.20	10.8
Black & Decker	N	22.63	- 1.00	- 4.2	23.88	21.50	25.13	17.25	43,935	8.65	2.90	198.3	29.8	.64	2.8	.....	3 mos.	12-85	521.7	3.7	20.9	- 27.9	.41	- 28.1	521.7	3.7	20.9	- 27.9	.41	- 28.1
Boise Cascade	N	53.63	3.00	5.9	54.00	50.50	54.00	37.25	9,803	3.62	1.62	123.5	15.5	1.90	3.5	.....	fiscal	12-85	892.7	- 1.6	19.0	NE	.61	NE	3737.2	- 2.1	104.3	49.9	3.45	54.7
Certain-teed	N	29.38	1.63	5.9	29.63	27.00	29.63	21.25	6,706	3.54	.70	405.7	10.8	.90	3.1	.....	fiscal	12-85	261.7	- 4.4	10.4	- 25.2	.55	- 21.4	1109.7	- 6.7	53.4	22.8	2.73	25.8
Champ Intl	N	28.38	.88	3.2	28.75	26.63	28.75	20.00	38,714	4.17	1.97	111.7	17.8	.52	1.8	.....	fiscal	12-85	1194.7	- 29.3	36.1	NE	.37	NE	5769.8	12.7	163.1	NE	1.59	NE
Clopay Corp	A	17.63	1.25	7.6	19.75	15.38	22.19	11.25	342	2.21	.56	294.6	NE	.16	.9	.....	fiscal	12-85	35.5	- 2.5	(.2)	- 100.0	(.14)	- 100.0	139.2	3.9	(1.9)	- 100.0	(1.24)	- 100.0
DeSoto Inc	N	39.25	2.13	5.7	39.75	37.00	39.75	31.50	332	.70	.45	55.6	13.2	1.40	3.6	.....	fiscal	12-85	75.5	- 3.6	2.9	- 19.4	.60	- 15.5	405.6	- .4	14.2	- 27.6	2.97	- 16.6
Emhart Corp	N	37.38	.13	.3	39.00	36.63	39.00	26.25	4,517	1.63	.85	91.8	12.9	1.40	3.7	.....	fiscal	12-85	484.4	8.1	23.6	- 7.8	.87	26.1	1775.0	- 1.1	80.0	- 11.5	2.90	- 11.3
Georgia-Pacifc	N	32.88	3.00	10.0	33.00	29.13	33.00	20.50	49,729	4.83	1.82	165.4	18.0	.80	2.4	.....	fiscal	12-85	1590.0	- 10.0	33.0	NE	.27	NE	6716.0	.5	207.0	NE	1.83	88.7
Insilco Corp	N	21.00	.00	.0	22.88	19.63	22.88	16.63	6,596	3.36	1.22	175.4	15.3	1.00b	4.8	.....	fiscal	12-85	174.7	- 3.4	3.6	- 50.7	.17	- 57.5	811.8	3.2	26.1	- 20.9	1.37	- 24.7
La Pacific	N	26.88	1.13	4.4	27.13	25.25	27.13	17.13	12,158	3.33	1.09	205.5	38.4	.80b	3.0	.....	fiscal	12-85	312.6	10.2	6.8	- 67.6	.19	- 69.4	1260.9	2.5	25.5	- 39.6	.70	- 41.2
MacMiln Bldel	N	20.50	1.25	6.5	20.63	19.13	20.63	12.47	707	.23	.07	228.6	38.0	.00a	.0	.....	fiscal	12-85	601.7	4.0	20.4	- 15.0	.44	- 21.4	2335.4	9.8	42.9	122.3	.54	NE
Manville Cp	N	7.00	.13	1.8	7.00	6.00	8.13	5.13	15,587	6.49	2.65	144.9	NE	.00	.0	.....	fiscal	12-85	536.4	17.5	20.9	14.8	.61	22.0	1941.8	7.0	(45.1)	- 100.0	(2.92)	- 100.0
Masco Corp	N	54.38	5.13	10.4	54.88	49.25	54.88	28.50	17,161	2.67	1.03	159.2	21.2	.64	1.2	.....	fiscal	12-85	704.9	228.3	141.3	551.2	1.42	330.3	1154.0	13.2	164.5	41.9	2.56	28.0
Mor-Flo Inds	M	17.00	- .88	- 4.9	18.13	16.75	19.88	14.50	430	1.70	.81	109.9	8.0	.01	.1	.....	9 mos.	09-85	47.0	.9	.3	- 81.3	.11	- 82.5	153.0	3.9	3.7	- 22.9	1.45	- 24.5
Natl Gypsum	N	48.63	2.00	4.3	48.63	46.00	48.63	25.09	13,938	6.10	2.56	138.3	9.7	1.52	3.1	NEW	fiscal	12-85	62.6	- 85.4	19.5	- 22.6	.86	- 20.4	1340.0	- 22.0	116.1	8.7	5.02	9.6
Newell Co	N	28.88	- .25	- .9	29.75	28.50	29.75	15.13	4,779	5.54	1.18	369.5	13.8	.70	2.4	.....	fiscal	12-85	96.6	7.6	5.5	31.0	.61	32.6	350.0	13.5	18.9	33.1	2.09	29.0
Owens Corning	N	49.00	6.75	16.0	49.50	41.50	49.50	30.75	22,280	7.48	1.81	313.3	11.1	1.40	2.9	.....	fiscal	12-85	966.6	27.9	44.1	31.3	1.48	29.8	3305.0	9.4	131.2	15.2	4.42	14.2
Ply-Gem	A	21.75	2.75	14.5	22.25	18.63	22.25	13.25	3,430	7.98	2.30	247.0	19.6	.16	.7	.....	9 mos.	09-85	39.5	- 2.7	1.1	37.5	.25	31.6	123.0	- .2	3.1	- 3.1	.77	- 12.5
Pope & Talbot	N	22.00	1.88	9.3	22.00	19.00	22.00	16.75	1,447	2.41	.98	145.9	19.8	.80	3.6	.....	fiscal	12-85	74.9	- 5.1	.6	NE	.10	NE	325.2	1.6	6.7	NE	1.11	NE
Potlatch Cp	N	41.00	1.75	4.5	41.00	38.38	43.63	31.38	3,206	2.47	.77	220.8	18.7	1.56	3.8	.....	fiscal	12-85	227.4	- 3.7	4.4	- 56.0	.26	- 55.2	950.3	- 4.4	37.7	- 24.0	2.19	- 21.8
Sherwin-Wms	N	56.13	.00	.0	56.75	52.63	56.75	31.25	4,674	2.03	.86	136.0	17.4	1.00	1.8	.....	fiscal	12-85	517.4	3.2	11.3	24.2	.48	17.1	2194.9	5.8	74.6	14.8	3.23	13.7
SW Forest Ind	N	13.63	.25	1.9	14.25	13.00	15.50	9.88	3,541	3.81	2.96	28.7	NE	.00	.0	.....	fiscal	12-85	169.2	- 10.9	(5.0)	- 100.0	(.42)	NE	700.1	- 9.9	(12.3)	- 100.0	(1.67)	- 100.0
Stanley Works	N	40.75	2.13	5.5	40.88	38.00	40.88	26.50	5,372	1.87	1.09	71.6	14.3	1.04	2.6	.....	fiscal	12-85	322.4	5.4	25.7	14.7	.93	14.8	1208.3	4.3	78.3	8.1	2.85	9.6
Thos Inds	N	22.25	.25	1.1	22.50	21.13	22.50	14.41	905	1.01	.48	110.4	12.2	.68b	3.1	.....	fiscal	12-85	77.6	.6	4.2	7.7	.48	9.1	309.5	6.1	16.2	1.9	1.82	2.2
Triangle Pac	N	53.00	6.75	14.6	53.13	45.25	53.13	26.00	6,566	17.38	2.20	690.0	13.9	1.00	1.9	.....	fiscal	12-85	65.7	4.1	3.6	24.1	.92	29.6	263.9	- 2.5	15.2	11.8	3.82	15.8
USG Corp	N	67.00	9.00	15.5	67.75	57.75	67.75	30.75	12,479	3.74	1.47	154.4	10.0	1.92	2.9	.....	fiscal	12-85	635.2	4.0	53.9	30.5	1.63	31.5	2526.5	9.0	223.8	19.9	6.71	19.0
Walter, Jim	N	50.75	- .38	- .7	52.00	49.50	52.00	31.00	12,160	5.75	2.22	159.0	9.5	1.40	2.8	.....	3 mos.	11-85	562.1	.7	31.7	17.0	1.45	16.9	562.1	.7	31.7	17.0	1.45	16.9
Waxman Ind	M	14.50	1.88	14.9	14.63	12.88	16.88	9.00	855	2.73	1.85	47.6	26.9	.08	.6	.....	6 mos.	12-85	23.3	14.2	.5	.0	.17	- 43.3	44.8	9.5	1.1	- 8.3	.35	- 50.0
Weyerhaeuser	N	36.13	.38	1.0	37.13	34.50	37.13	24.75	30,858	2.38	1.14	108.8	27.4	1.30	3.6	.....	fiscal	12-85	1238.0	- 12.1	63.6	132.1	.43	168.8	5205.6	- 6.2	200.1	- 11.5	1.32	- 13.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

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National
Home Center News®

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Stripling Blake, known for its decorative department, is planning to open a second unit in Austin, Tex., to help increase the DIY side of its business. NHCN photo

Stripling Blake planning second unit to open in '87

By Elizabeth Brent
NHCN staff editor

AUSTIN, Tex. — Stripling Blake, the 46-year old, single-store independent here plans to expand, beginning with a second unit in January 1987. The company expects to close the deal on the 6-acre site, in southwest Austin this month.

"We are very cautious when it comes to growth plans," said Don Strickland, vp purchasing. "We've been talking about another location for ten years."

The new store will help increase the DIY side of Stripling Blake's business, which dipped below 20% the last two years and which the company hopes to increase to a solid 25% by 1987.

Increasing retail sales is particularly important since contractor sales fell by 28% in 1985. Building slowed dramatically in Austin in 1985, as the city council attempted to control the growth of the town and banks tightened their lending, leaving a large inventory of high-priced homes.

So far there has not been an invasion of chain operations in Austin as has happened in other Texas markets recently. To some extent Stripling Blake's expansion plans are intended

(Continued on page 61)

Wickes affirms DIY stance; sells other retail chains

By Brad Altman
NHCN staff editor

SANTA MONICA, Calif. — Wickes Cos. has decided to dispose of its "general retail" chains—apparel and discount stores, mostly—but company officials say they are not planning to sell their lumber and DIY-oriented businesses such as Wickes Lumber and Builders Emporium.

Putting the general-retail chains on the selling block comes in the aftermath of Wickes' purchase of Gulf & Western's consumer and industrial products businesses last year, which cost Wickes $1 billion in cash.

Wickes is now focusing on three main segments, Wickes executive vp and cfo Wilhelm Mallory told *NHCN*. The segments are:

- Building materials, home improvement and home furnishings;
- Apparel and hosiery manufacturing;
- Hardlines manufacturing services, including auto aftermarket goods.

This refocusing indicates that Wickes is making a

(Continued on page 62)

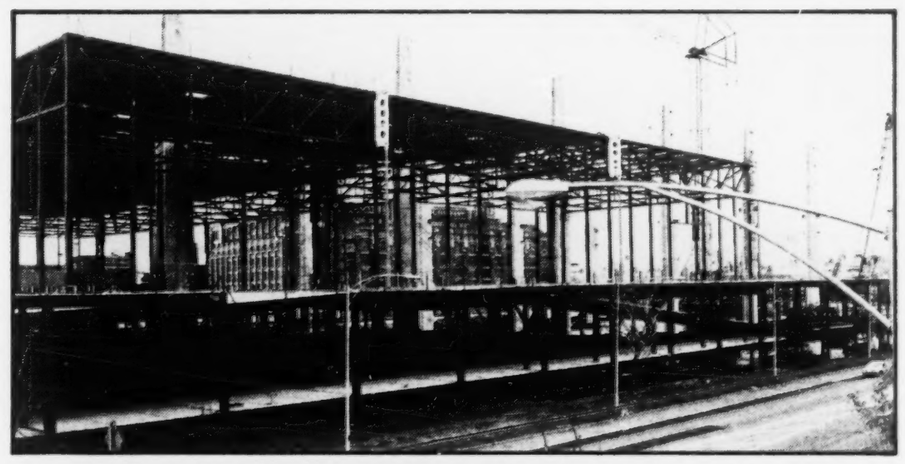
Hardware Show expansion 'a go' but contingency plans in works

By Gary S. Ruderman
NHCN staff editor

CHICAGO — National Hardware Show officials are confident the 534,000-sq.-ft., unfinished McCormick Place expansion will be ready by the August show time but contingency plans have been laid.

In a letter to exhibitors late last month Julie Prazmark, vp and show manager of Cahners Exposition Group, set a June 15th decision date as to whether half of last year's 2,900 exhibitors will indeed occupy the new McCormick Place North

(Continued on page 62)



The McCormick Place expansion, shown in an early phase of construction, has been plagued with problems but is expected to be completed in time for the National Hardware Show in August.

European firms look abroad for growth

By John Caulfield
NHCN staff editor

COLOGNE, West Germany — On March 10 Marley Ltd., a manufacturer based in Great Britain, was scheduled to deliver its first container shipment of PVC folding doors to the United States. It will distribute the merchandise through an agreement it has struck with Clopay, the Cincinnati manufacturer.

Marley gets 80% of its estimated $32 million in annual sales from a European DIY market that "is growing, but not as fast as it has in the past," said Walther De Boer, Marley's export director.

The current state of the market, and the relatively modest prospects for growth projected for it over the rest of the decade find a number of European manufacturers, like De Boer, claiming that exportation to the U.S. and beyond could be their companies' salvation.

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Retailers gather at the workshop set up in the middle of booth run by Robert Bosch GmbH, West Germany's largest power tool maker, during last month's International Hardware Fair held in Cologne's Köln Messe. NHCN photo

Grace sells Herman's; other talks continue

By an NHCN staff editor

NEW YORK — W. R. Grace, which put its entire retail empire on the selling block last December, has agreed to sell one chunk of the retail group for $227 million—its 56% ownership stake in 131-unit Herman's Sporting Goods.

But Grace has still not responded to any offers by either its own employees or outside bidders for the remaining retail stores which include 317 home centers and 376 specialty stores.

(Continued on page 62)

Inside

Perspectives: While some retailers have succeeded with installed sales programs, others have found them difficult to manage. **19**

Editors journal: *NHCN* editors test the pulse of the Home Center Show and spend time walking the floor with a buyer. **28**

Show report: Seminars at this year's National Home Center Show ran the gamut from store level operations to strategic planning. **35**

Merchandising: Some firms are taking the first tentative steps to introduce housewares into their product mixes. **47**

Newsbreaks

RUDOLPH L. HIRSCH DIES: Rudy Hirsch, 57, executive vp and chief administrative officer of HomeClub, Fullerton, Calif., and former senior vp of Federated Department Stores, died suddenly March 23 in his sleep.

LUMBER VOLUME SOARS: U.S. lumber manufacturers received the highest volume of orders for a single week since the recession during the first seven days of March, according to *Random Lengths*, a financial newsletter which monitors the lumber industry.

Industry Update

Lloyd unveils new prototype

DANBURY, Conn. — Lloyd Home and Building Centers, a 35-unit retailer based here, last month unveiled its new prototype unit in Poughkeepsie, N.Y., located about two hours north of New York City, in the Hudson Valley region of New York State.

The store, a replacement unit for Lloyd in the city, opened on March 22 to record crowds and sales receipts. It tallied $37,000 in sales its opening day, the biggest single grand opening day the company has ever recorded, according to Steve Shepherdson, vp-operations.

The Poughkeepsie store has a 30,000-sq.-ft. retail showroom and a 10,000-sq.-ft. drive-through which opens onto a contractor sales desk at the rear of the store.

But the focal point of the unit is its 1,000-sq.-ft. "Ask Me Howse," a fully-framed house featuring cutaway sections to show consumers how the house was built. A customer service desk is in front of it.

Mr. Goodbuys opening 5 in N.Y.

PHILADELPHIA — Mr. Goodbuys will open five stores in the Long Island market, according to Steven Erlbaum, chairman of the Philadelphia-based chain. At least one of these will be built from the ground up, a departure from its usual policy of developing second-use sites. Erlbaum said the company is now negotiating leases.

Sequoia Supply moves to Calif.

IRVINE, Calif. — Sequoia Supply, the largest independent building materials distributor in the country, is pulling out of the Pacific Northwest and moving its headquarters from Wilsonville, Ore., to this Orange County city.

Sequoia Supply President Paul W. Hylbert Jr. said Northwest operations were shuttered because "we were not getting satisfactory return (on investment) in the short-term" in Oregon and Washington state.

A unit of Wickes Cos., Sequoia Supply has 750 employees and operates a fleet of 175 trucks and 33 distribution centers in more than 20 Midwest, Southeast and Western states. Sales last year were $275 million.

National to complete renovations

FOUNTAIN VALLEY, Calif. — National Lumber said renovation and restructuring of its 14 older home centers will be completed this year.

Craig Schumacher, operations vp of the 19-store southern California chain, said the rehab program will make the older units conform to the layout of the five newest National Lumber units.

Stocks continue to gain ground

NEW YORK — Home center industry stocks continued their impressive climb during the two-weeks ended March 21, as gainers outnumbered losers 41 to 14. The *NHCN* Home Center Retailers Index closed the period at approximately 126.0, its highest point in over a year.

Erb Lumber led the retailer gainers list, climbing 28% to $64 per share on March 21. Forest City Enterprises also reported a healthy increase of 23.4% to $29.

Other gainers were Wickes Cos., up 16.3% to $6.25, K mart Corp., up 13.5% to $44.13, Zayre Corp., up 9% to $70.88, and Palmer G. Lewis, up 19.7% to close at $9.88.

See financial tables page 60

41 Gainers

Unchanged 2

Losers 14

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Star opens doors for Sunday biz

By Phillip M. Perry
NHCN staff editor

WICHITA — Bowing to the increasing pressures of a stagnant market environment, Star Lumber said it would begin opening its three stores on Sundays, starting in mid-April. The stores will be open from 10:00 a.m. until 5:00 p.m. that day.

The additional hours are expected to increase the chain's revenues by approximately 10%, as a result of increasing sales to consumers. Last year, the company posted revenues of $46 million, about half of which were from the contractor market.

"This is basically an opportunity to get some sales from Payless Cashways and Sutherland Lumber," said David Gregory, advertising manager for Star. Those two chains, which have operated their stores on a seven-day-a-week basis for many years, each operate two units in the Wichita market. The city is also served by other consumer-oriented stores such as two Pay 'N Pak stores and a Diamond Lumber outlet.

Gregory noted that the decision by Star represented an effort to increase revenues and profits by capturing more market share in an environment that has been far from robust for the past five years. The three major industries for the city—agriculture, oil, and

(Continued on page 61)

Analysts upbeat at DIY seminar

By an NHCN staff editor

NEW YORK — Most of the nearly 180 securities analysts attending the Sixth Annual Investment Community Seminar on the Do-It-Yourself Industry were in agreement on one thing: 1986 has turned into a surprise event.

Over the first three months of the year, home center stocks, which were supposed to have continued last year's lackluster performance, have gone through the roof. The market prices of nine commonly traded building materials retailers stocks have climbed an average of 26.8% since late last December—over twice the 11.9% increase in the Standard and Poor's 500 Index.(The nine building materials stocks are: Hechinger, Handyman, Home Depot, Lowe's, Pay 'N Pak, Payless Cashways, Scotty's, Standard Brands Paint, and Color Tile.)

Now, analysts are much more optimistic than they were three months ago on the future of the securities. Many of those attending the event, held at the Waldorf-Astoria March 20, attributed the recent rebound in stock prices to a public reaction to the new, higher housing forecasts being made by the nation's economists. Among those expressing such an opinion was Farrokh M. Deboo, an analyst at Citicorp Investment, New York.

Leonard Herring, president of Lowe's, the $2 billion home center chain based in North Wilkesboro, N.C., noted that analysts following his company felt the higher level of predicted housing starts

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NHCN launches toll-free News Hotline for readers

By an NHCN staff editor

NEW YORK — National Home Center News has launched a new national toll-free News Hotline designed for readers to call and report industry-related news developments. The phone number is 1-800-NHC-NEWS (1-800-642-6397).

The News Hotline, which went into service April 1, provides readers outside New York state with direct toll-free access to the NHCN news desk in New York City for reporting tips and information about fast-breaking news and other developments of interest to the home center industry.

Who can use it? Anyone calling from anywhere in the United States, including Hawaii, except Alaska and New York State. Callers from New York and Alaska can reach NHCN by dialing 212-371-9400 and asking for extension 232.

What type of calls will be accepted? Any call offering information about events or developments occurring on a local, regional or national basis,

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Perspectives — *cover story*

RETAILERS WRESTLE WITH INSTALLED SALES PROGRAMS

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PPG accelerates plans for closing of remaining stores

By Phillip M. Perry
NHCN staff editor

PITTSBURGH — PPG Industries, maker of Pittsburgh Paints, said that it planned to close all 137 of its remaining specialty paint stores by the end of 1987. The $4.3 billion company, which has been in the process of closing its paint stores for the past several years, said that it was accelerating the program as a result of several market forces. The company operated as many as 350 stores several years ago.

"There is no question that the growth in the home center type of store has taken away some of the traffic in the smaller stores," said James Compton, director of investor relations for the company. "We have not operated these stores as home centers, but have restricted them to our own products.

"The combination of high labor costs, with a limited amount of volume going through the stores, meant that they were not meeting our standards for profitability," added Compton.

Compton said that the existence of the stores was hampering the company's new effort to expand distribution of Pittsburgh Paints through independent retailers, a strategy the company feels will be much more profitable than trying to operate its own stores.

Because all of PPG's stores operated from leased facilities, no sale of capital assets, with attendant write-downs, will be necessary. The inventory of the stores is expected to be transferred to distributors.

PPG does not release revenues totals for its retail outlets. Marjorie A. Crough, senior analyst at Value Line, the New York-based investment research firm, estimates that sales of household paints at PPG total some $300 million to $400 million, but cautioned that much of that figure went to distributors rather than through PPG's own stores.

"I think the move is long overdue," said Crough, speaking of PPG's divestiture of its retail outlets. "The retail stores are the one and only area where I see they have sort of slipped." The move by PPG, she noted, comes at a time when paint margins have generally suffered at retail stores. Like other players in the field, PPG has had to go up against Sears.

A perceived softening in consumer demand for paint is yet another force that Crough said has led to PPG's latest move. She said that consumer paint sales at DeSoto, the $407 million Des Plaines, Ill.-based company that supplies Sears with its paint, had dropped by 10% over the past 12 months. Diminished demand was bound to play a major role in depressing margins.

Utah retailer files for Chapter 11

By Brad Altman
NHCN staff editor

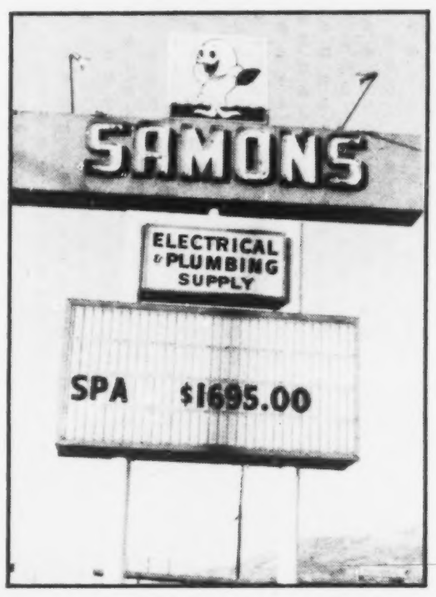
NORTH SALT LAKE, Utah — Samon's DIY Centers, a 13-unit retailer specializing in electrical, plumbing and heating/air conditioning, filed March 7 for Chapter 11 court protection under the Federal bankruptcy laws.

David B. Coats, the company's chairman and founder, said the Chapter 11 filing would allow Samon's to continue operating while it tries to work out a plan to repay its debts.

In a related development, Coats said Samon's is exiting the Nevada market where there are two Samon's stores in Las Vegas. The remaining 11 Samon's are in the greater Salt Lake City area.

Samon's closed one Las Vegas store in late March and will close the remaining unit in early May.

Samon's, with annual sales of $12 million, has 316 creditors and $4.5 million in assets, according to John Straley, an attorney for Samon's.



Samon's DIY Centers filed for Chapter 11 on March 7 due to a cash flow problem. NHCN photo

Straley said Samon's is "actively negotiating with a publicly held company for the acquisition of Samon's." The company is reportedly not in the home improvement business.

"The probability of a successful reorganization is greatly enhanced by the prospect of a merger," Straley said. "As part of a plan of reorganization, a publicly held company could issue stock to unsecured creditors." In effect, existing unsecured debts could be converted into common shares.

Straley said Samon's decision to seek court protection was prompted by a "cash flow problem. Samon's took on a pretty heavy debt service in the early 1980's and couldn't get out of it. It got caught in financial straits."

Coats said Samon's owed a major vendor, he declined to identify, "a substantial amount of money," and, because the vendor "could no longer wait, that left us no choice but to file. We just didn't have the cash to pay off the debt."

Samon's was a two-unit chain in 1967 when Coats and two high school classmates purchased it from Dick Samon. The company expanded slowly over the years and closed a unit in Idaho Falls, Idaho, three years ago, Coats said.

NLBMDA battles to defeat import restriction bills

By Milford Prewitt
NHCN staff editor

WASHINGTON — The voices of opposition to tariffs on Canadian lumber grew louder when the National Lumber & Building Material Dealers Association stepped up its continuing campaign to persuade Congress to defeat import restriction bills.

The NLBMDA's long-held condemnation of lumber tariff proposals was reaffirmed during the group's annual Conference with Congress. About 130 delegates representing 25 regional member associations attended the three-day affair last month, which was capped off by day-long visits to the offices of the lumber dealers respective representatives in the House and Senate.

The NLBMDA's annual legislative conference is designed to give building material dealers an opportunity to exchange views on federal legislation that may impact on lumber distribution, pricing, housing construction, home remodeling and home buying.

Besides the Canadian lumber import issue, the group also addressed and formulated opinions on six other issues affecting the industry. These included the insurance liability crisis, product liability, tax reform, the Gramm-Rudman-Hollings Act, the Gramm-Rudman-Hollings Tax Increase and anti-polygraph legislation.

To acquaint the delegates with the finer points and potential ramifications of the major issues, the association conducted a "Dealers' Congress," a mock legislative forum in which both sides of the issues were debated by Harry Horrocks, director of governmental affairs

(Continued on page 61)

Leading home improvement center TV advertisers—1985

	1984	1985	% change
Payless Cashways	$5,430,000	$6,010,000	+ 11
Payless Cashways (Multimarket)	2,513,200	3,084,500	+ 23
Furrow's (Multimarket)	1,753,200	1,816,900	+ 4
Lumberjack (Sacramento)	822,600	604,500	− 27
Somerville (Boston)	341,000	504,100	+ 48
The Home Depot (Multimarket)	2,315,100	4,566,400	+ 97
Wickes	3,000,900	3,605,400	+ 20
Builders Emporium (Multimarket)	2,400,700	3,300,800	+ 37
Wickes Lumber Building Supply	600,200	304,600	− 49
W. R. Grace	2,696,500	3,236,300	+ 20
Ole's Home Centers (L.A., Phoenix)	1,533,000	1,855,900	+ 21
Handy Dan's (Dallas)	549,700	428,800	− 22
Home Quarter Warehouse (Norfolk)	—	437,900	+ inf.
Allwoods (Albuquerque)	180,500	287,500	+ 59
House Works (New Orleans)	—	115,700	+ inf.
Handy City (Multimarket)	51,100	100,300	+ 96
Channel (New York)	—	10,100	+ inf.
Angels (Multimarket)	382,200	—	− 100
Mr How's Warehouse (Multimarket)	295,300	2,596,700	+ 779
Lowe's (Multimarket)	1,755,800	2,338,400	+ 33
Pay 'N Pak (Multimarket)	43,100	2,303,200	+5,244
National Lumber (Los Angeles)	1,814,600	1,975,100	+ 9
Builders Square (Multimarket)	1,553,400	1,967,800	+ 27
Sutherland Lumber (Multimarket)	2,757,400	1,786,600	− 35
Plywood Minnesota (Multimarket)	1,270,800	1,468,100	+ 16
Hechinger Lumber (Multimarket)	1,694,100	1,081,500	− 36
HomeClub (Multimarket)	—	1,033,300	+ inf.
Handy Andy (Chicago)	658,600	916,900	+ 39
Forest City (Cleveland, Detroit)	142,600	859,300	+ 503

inf.—infinite

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data. Co-op advertising is credited by BAR to the manufacturer and is not included in the above.

Home centers fastest growing in TV ads:TvB

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT — The home center industry has become the fastest growing retail segment in use of television advertising, according to the Television Bureau of Advertising.

Last year the leading 15 home center companies in TV use spent $37.6 million on TV advertising, 39% more than in 1984, according to TvB. Of this amount, $10.14 million, or 30%, came from four warehouse companies: The Home Depot, Mr. HOW, Builders Square, and HomeClub as they expanded into new markets, and spent significantly on TV advertising with grand opening and price and item commercials.

While Payless Cashways, the Kansas City, Mo.-based chain maintained its position as the leading spender with $6 million, a rise of 11% over 1984, Atlanta-based Home Depot moved into second place and spent $4.6 million dollars in 1985, 97% more than in 1984.

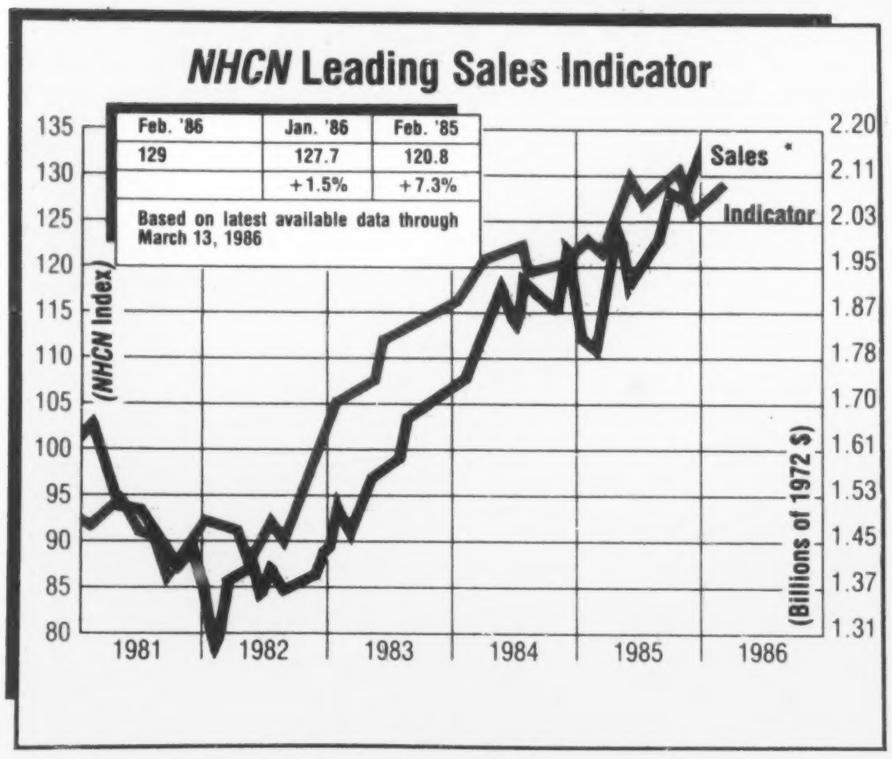
Mr. HOW Warehouse, based in Margate, Fla., opened 24 stores in 1985, and spent 779% more on TV than in 1984 with a total of $2.59 million, placing it fifth and close behind the entire W.R.Grace home center division, which spent $3.24 million. Builders Square, based in San Antonio spent 27% more on TV advertising in 1985, with just under $2 million. HomeClub, the Fullerton, Calif.-based chain appeared on TV for the first time in 1985 and spent $1 million and joined the leading home center spenders at 13th position.

TV advertising played a major part in Pay 'N Pak's advertising budget in 1985, as the Kent, Wash.-based chain opened stores in the San Francisco market and spent a total of $2.3 million, 5,244% more than in 1984.

A surge in multi-media advertising at Builders Emporium resulted in $3.3 million spent on TV in 1985, out of a $3.6 million total for Wickes Companies, based in Santa Monica, Calif., according to the TvB estimates.

"We increased the intensity of print and TV advertising in existing markets in 1985," said Michael Sitrick, vp advertising, Wickes Companies.

(Continued on page 62)



*—Monthly retail trade building materials and supplies in 1972$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

West North Central region's '86 sales will rebound to match national average

By Richard E. Mount
Special to NHCN

West North Central states rebound

As a region, the West North Central states are headed for a 10.5% increase in building material sales this year, 7% after adjusting for inflation. Sales will be very strong in Minnesota and Missouri but sales in other states in the area will be weak.

In 1985, the real volume of building material sales in the West North Central area was off 2%, while the national average was up 5%. Some economies in the region are based on manufacturing, which suffered in 1985 from increased imports. But most of these

Richard E. Mount

states are agricultural. Farm net cash income was down 3% to $38 billion, as prices for corn, soybeans and meat animals dropped. The strong dollar hurt U.S. agricultural exports, and expanded farm production in other countries increased competition in traditional overseas markets. But net cash income was bolstered by government subsidies and lower-than-expected expenses.

In 1986, sales in the region will match the national average. Manufacturing sectors will benefit from improvements in capital spending and defense, and from the declining dollar. Farm net cash income, which will decline to $37 billion, will duplicate the 1985 pattern. But energy-producers in the region will be hard hit during the coming year as falling oil prices harm coal, crude oil and natural gas min-

(Continued on page 5)

Home Center Industry Regional Outlook

		1985				1986						
		1Q	2Q	3Q	4Q	1Q^p	2Q^p	3Q^p	4Q^p	1984	1985	1986^p
***NHCN* Leading Sales Indicator** (January 1980 = 100)		120.2	124.3	125.2	123.5	128.8	130.1	129.7	129.4	117.8	123.3	129.5
Building Material Retail Sales												
Current	Total U.S. ($ millions) SAAR	50,468	53,012	53,248	56,676	56,700	57,958	58,921	59,839	49,774	53,534	58,355
	New England	2,504	2,881	3,205	3,448	3,595	3,651	3,671	3,686	2,743	3,010	3,651
	Middle Atlantic	6,183	7,084	7,341	8,264	7,898	8,108	8,178	8,282	6,373	7,218	8,117
	East North Central	7,226	8,531	8,529	8,989	8,993	9,181	9,363	9,556	7,935	8,319	9,273
	West North Central	3,252	3,837	3,805	4,014	3,980	4,040	4,095	4,133	3,720	3,727	4,062
	South Atlantic	11,089	11,073	10,769	11,764	11,590	11,928	12,238	12,453	10,234	11,174	12,052
	East South Central	2,677	2,894	3,027	3,186	3,272	3,391	3,482	3,584	2,723	2,946	3,432
	West South Central	6,199	6,208	5,772	6,037	5,772	5,842	5,821	5,828	6,089	6,054	5,816
	Mountain	2,678	2,589	2,594	2,724	2,733	2,811	2,881	2,938	2,617	2,646	2,841
	Pacific	8,660	8,107	8,206	8,230	8,868	9,007	9,192	9,377	7,340	8,306	9,111
Constant	Total U.S. (1972 $ millions) SAAR	22,284	23,484	23,690	25,108	24,870	25,170	25,335	25,475	22,623	23,642	25,213
	New England	1,106	1,276	1,426	1,527	1,577	1,586	1,578	1,569	1,247	1,334	1,578
	Middle Atlantic	2,730	3,138	3,266	3,661	3,464	3,521	3,516	3,526	2,896	3,199	3,507
	East North Central	3,191	3,779	3,795	3,982	3,944	3,987	4,026	4,068	3,606	3,687	4,006
	West North Central	1,436	1,700	1,693	1,778	1,746	1,754	1,761	1,760	1,691	1,652	1,755
	South Atlantic	4,896	4,905	4,791	5,212	5,083	5,180	5,262	5,301	4,652	4,951	5,207
	East South Central	1,182	1,282	1,347	1,411	1,435	1,472	1,497	1,526	1,238	1,306	1,483
	West South Central	2,737	2,750	2,568	2,674	2,532	2,537	2,503	2,481	2,769	2,682	2,513
	Mountain	1,182	1,147	1,154	1,207	1,199	1,221	1,239	1,251	1,189	1,173	1,227
	Pacific	3,824	3,591	3,651	3,655	3,890	3,911	3,952	3,992	3,336	3,680	3,936
Per Cent of U.S. Total												
Current	Total U.S. ($ millions) SAAR	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	4.96	5.43	6.02	6.21	6.34	6.30	6.23	6.16	5.51	5.64	6.26
	Middle Atlantic	12.25	13.36	13.79	13.86	13.93	13.99	13.88	13.84	12.80	13.53	13.91
	East North Central	14.32	16.09	16.02	15.88	15.86	15.84	15.89	15.97	15.94	15.59	15.89
	West North Central	6.44	7.24	7.15	7.08	7.02	6.97	6.95	6.91	7.47	6.99	6.96
	South Atlantic	21.97	20.89	20.22	20.44	20.44	20.58	20.77	20.81	20.56	20.94	20.65
	East South Central	5.30	5.46	5.68	5.77	5.77	5.85	5.91	5.99	5.47	5.52	5.88
	West South Central	12.28	11.71	10.84	10.54	10.18	10.08	9.88	9.74	12.24	11.35	9.97
	Mountain	5.31	4.88	4.87	4.83	4.82	4.85	4.89	4.91	5.26	4.96	4.87
	Pacific	17.16	15.29	15.41	15.40	15.64	15.54	15.60	15.67	14.75	15.57	15.61
Industrial Production												
Index (1977 = 100)	Brick	86.6	87.5	91.3	88.4	91.7	92.6	92.4	91.8	83.1	88.6	92.1
	Cement	103.9	110.0	106.5	99.8	103.7	106.9	106.4	106.1	102.1	105.6	105.8
	Gypsum Mallboard	116.0	127.7	129.6	131.2	131.8	132.7	130.1	125.8	119.2	126.1	130.1
	Hardware	102.2	102.7	99.2	99.0	102.6	103.6	104.6	103.3	100.6	100.8	104.0
	Lumber Products	118.1	121.8	126.1	126.6	127.3	128.2	126.9	125.8	119.0	123.2	127.1
	Paint	102.5	106.0	98.2	100.0	103.2	104.7	105.9	107.1	102.6	101.7	105.2
	Plywood	130.7	137.1	144.3	144.8	145.2	145.2	144.8	141.1	129.5	139.2	144.0

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
March 13,1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

West North Central states '86 building material sales head for 10.5% increase

(Continued from page 4)

ing regions.

Strongest growth states

Building material sales will grow best in Minnesota and Missouri in 1986. Their economies are based in manufacturing, and agricultural production is largely dairy and will not suffer as much from price weakness as corn and wheat. In both states, resales and starts gained in 1985.

Minnesota's building material sales will gain 12% in real volume in 1986. Manufacturing is concentrated in office machines, computers, chemicals and automobiles—markets that will be strong in 1986. Agriculture revolves around dairy farming, a healthier farm sector. Last year resales rose 13%, starts 10% and employment 1.4%. Strong housing and employment will help spending on additons and alterations.

Missouri's building material sales will increase 10% in real terms this year. The state's manufacturing sector is concentrated in autos, trucks, and facilities for defense and aerospace industries. Last year resales rose 6%, starts 11%, and employment was unchanged. Missouri's farm sector is the smallest in the region.

Soft growth states

Building material sales in the farm states of Kansas and Nebraska will change little in 1986. Their agricultural and manufacturing bases will not support a strong gain.

Building material sales will rise 1% in Nebraska this year. The state lacks a major manufacturing sector and agriculture is centered about corn, hops and soybeans. Resales softened only 2% last year although housing starts fell 19%. But employment increased 1.2%. The strength in employment and resales will increase maintenance and alteration spending.

Sales will be unchanged in Kansas this year. Wheat and cattle-raising are essential to the agricultural sector and manufacturing is based in aircraft, autos, and defense. In 1985, resales were down 5% and starts 15%. Employment gained 1%.

Declining states

Sales in South Dakota, Iowa and North Dakota will be the worst in the region. The kind of agriculture and manufacturing relied on and a dependence on energy-related industries will keep these states in decline.

Building material sales in South Dakota will decline 2% this year after adjusting for inflation. Farming revolves around beef, hogs, and lamb, whose sales will improve marginally. The state's manufacturing is primarily food processing. Last year resales declined 3%, housing starts 38%, but employment was unchanged—a combination that will limit building material sales.

Iowa building material sales will decline 3% this year. Its economy depends on corn and soybeans. Although the outlook for soybeans has improved, prospects for corn have weakened. Iowa manufacturing centers in farm machinery. Last year's resales were down 6%, starts 17%, and employment almost 1%.

In North Dakota, the real volume of building material sales will decline 6%. The farm sector concentrates on wheat and livestock. Although the outlook for wheat is poor, the livestock situation will improve in 1986. Manufacturing is geared towards farm machinery.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Building Material and Supply Sales Regional Outlook for 1986
(Constant dollar sales growth)

United States +7
Merrill Lynch Economics

Minnesota and Missouri will lead the way in building material sales gains in the West North Central states this year. Sales for the region are forecast to rise 7%, after adjusting for inflation, a 2% real decline from last year.

Formica acquires building product co.

By an NHCN staff editor

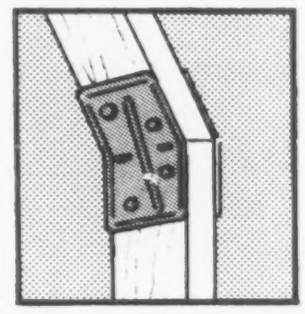
WAYNE, N.J. — The Formica Corp. of Wayne, N.J. has acquired Wildon Industries, a manufacturer of diversified resin-based building products, according to Formica's chairman and ceo, Gordon G. Sterling.

Wildon's products will be marketed by Formica under the name Formica(R) brand 2000X, a cast marble product.

Initially, Formica(R) brand 2000X will be available in sheets and molded shapes on a regional basis. The sheets will be produced in three thicknesses, 5/16-in., 1/2-in. and 3/4-in., and widths of up to 36 in. and lengths to 145 in. They will be available in three colors: frost white, almondine, and frost beige.

Sterling named Dr. S. Giddings general manager of Wildon on Feb. 25. Assisting him will be Richard Jaisle, operations manager and Glenn Thomson, marketing manager. Dr. Robert Williams, Helen Williams and Helen Kostevicki, founders of Wildon, will remain with the company.

Selling Barn Sheds Has Never Been So Easy!



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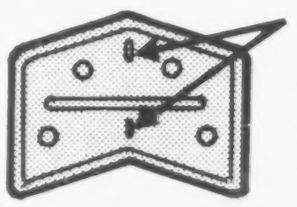

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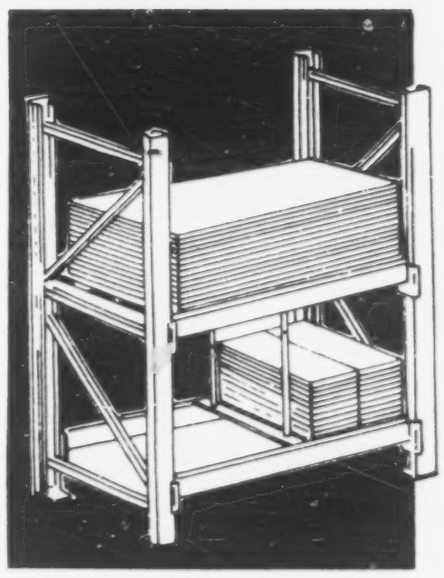

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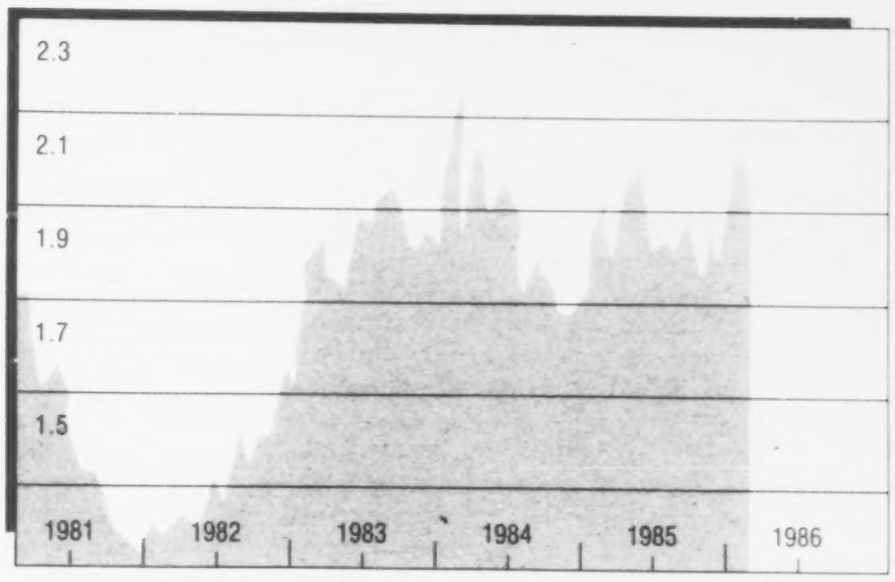
HOUSING WATCH

National housing starts and permits

(seasonally adjusted annual rates, in millions)

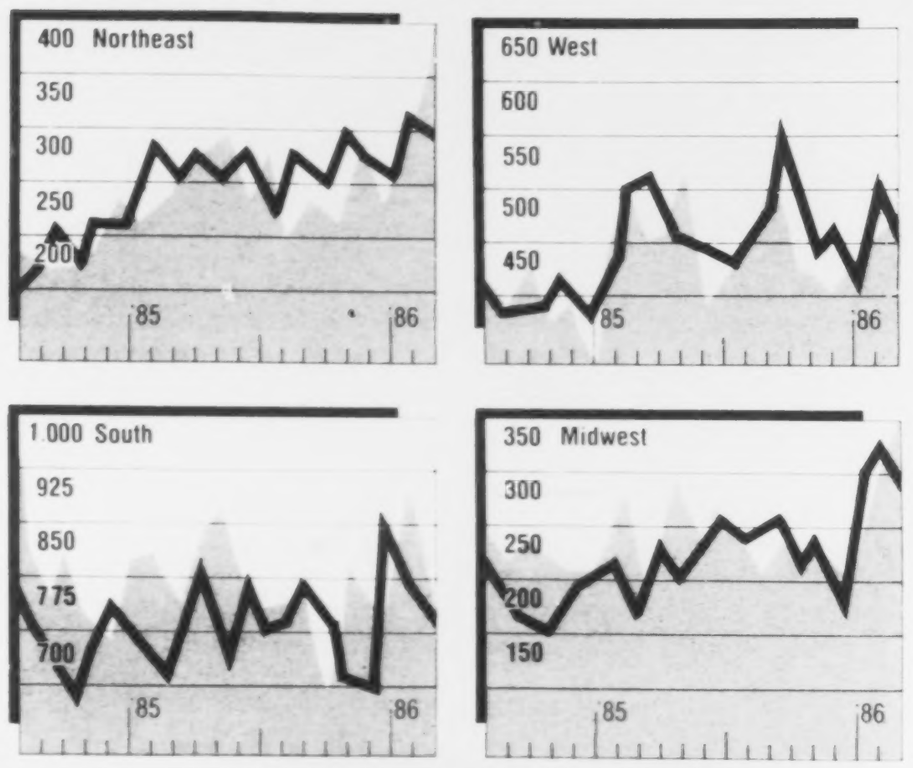


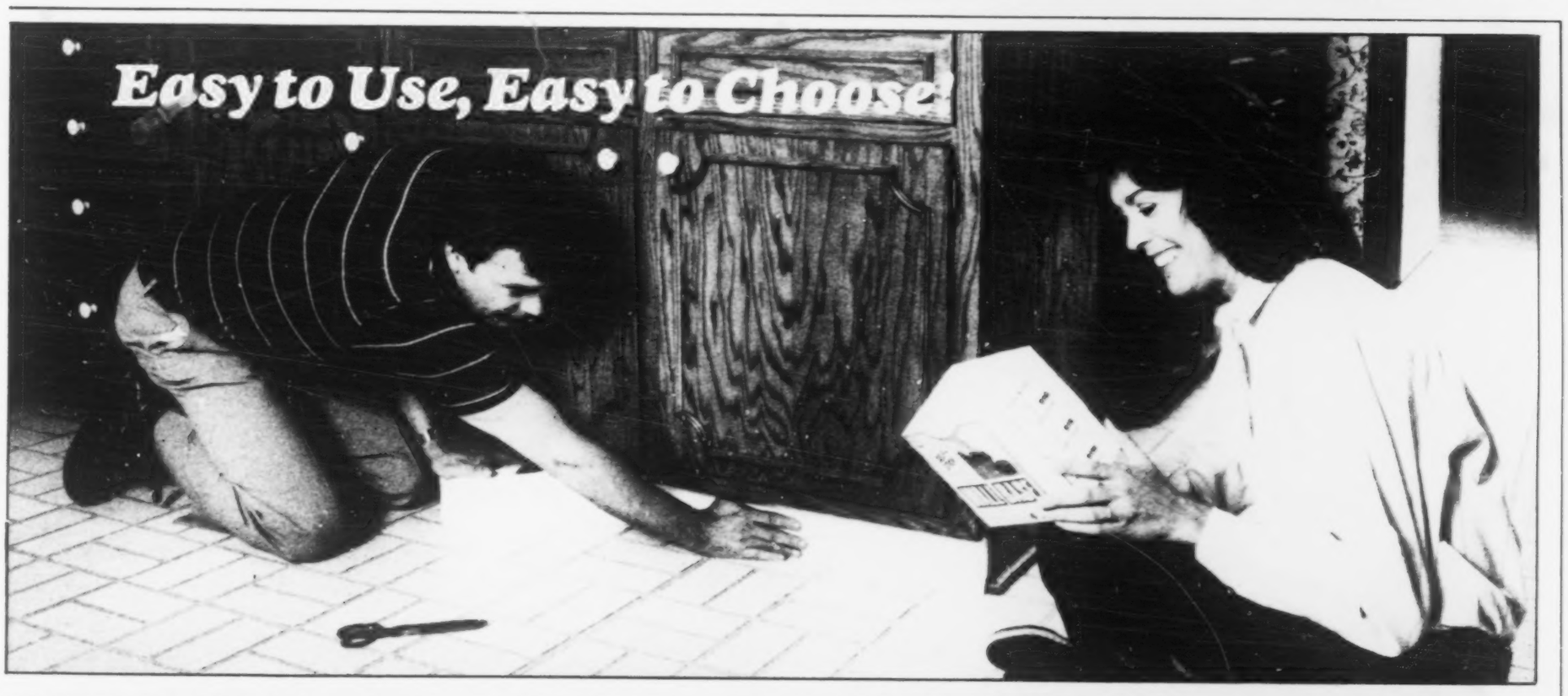
	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
Feb. '86	1,985	1,776	1,208	1,007
Jan. '86	2,056	1,907	1,357	1,094
Feb. '85	1,632	1,624	1,111	927

Key: Starts, Permits

Regional housing starts and permits

(in thousands)





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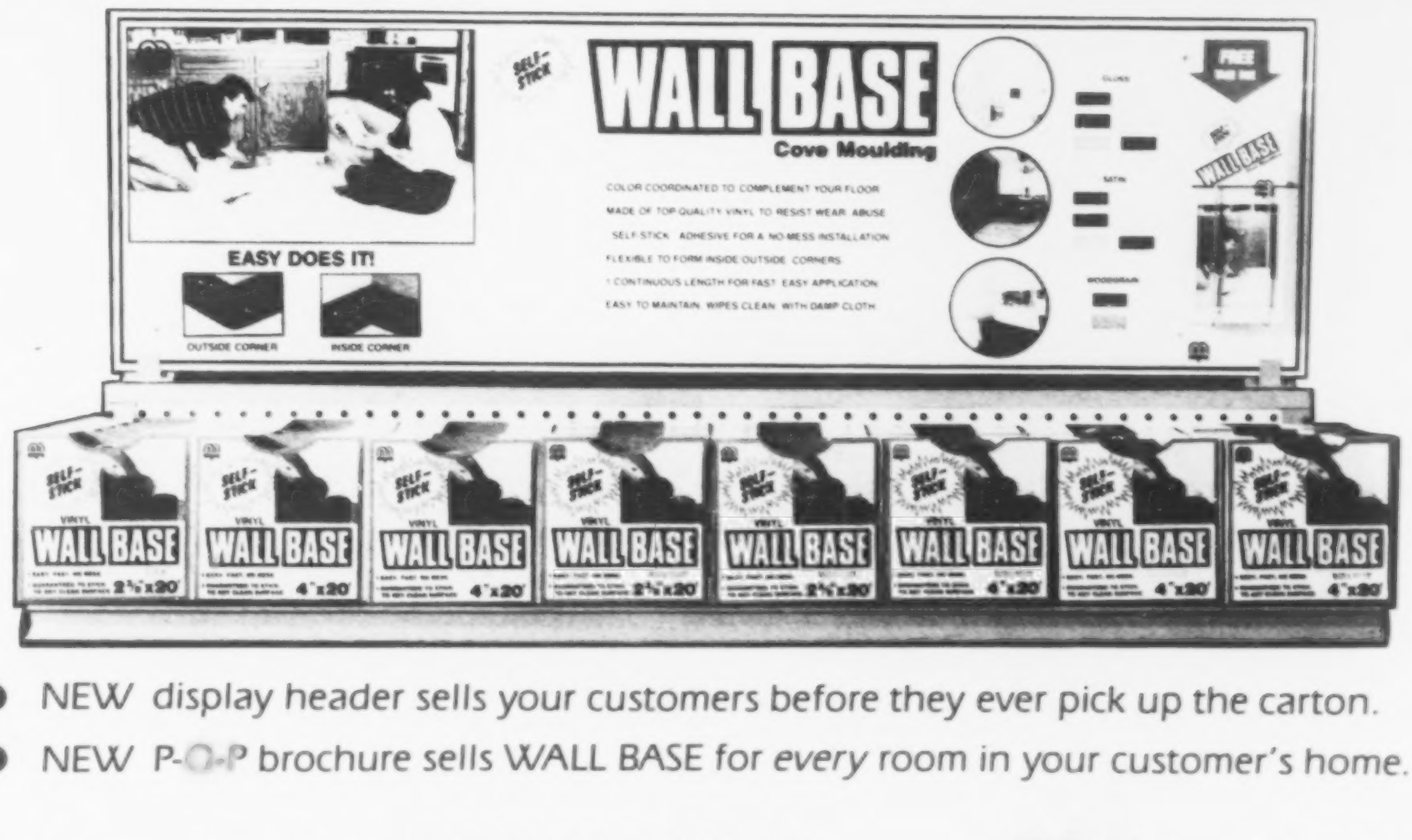

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Feb. housing starts near 2 M unit mark

NATIONAL REPORT — Housing starts in February were again near the two million-unit mark, at 1.985 million units, seasonally adjusted, a pace economists at the National Association of Home Builders predict will hold for the next few months.

Despite these numbers, the nationwide housing pace was off 3.5% from January, according to the U.S. Commerce Department. Single family housing starts topped the 1.2 million unit mark, but were 11% below the January level.

Compared to February one year ago, total starts are ahead nearly 22% and single-family starts almost 9%.

Regional strengths

In the Northeast alone, housing starts rose 18.1% over January to a seasonally-adjusted 418,000 units, and 68.5% over the February, 1985 totals.

And in the Midwest, housing starts grew by nearly 11% in February to 352,000 units, seasonally adjusted, which was 89% greater than the pace set in February one year ago

Because activity has been strong so far this year and builder optimism is high, the association increased its housing starts forecast for the year, according to Gopal Ahluwalia, the NAHB's assistant staff vice president.

Regional Housing
(in thousands)

	Feb. starts	% chg.	Feb. permits	% chg.
Northeast	418	+ 18.1	288	– 5.3
West	483	+ 5.0	471	– 6.5
South	732	– 20.8	725	– 5.8
Midwest	352	+ 10.7	292	– 11.2

The association now projects 1.71 million new houses will be started in 1986, up from the 1.62 million originally forecasted. Single-family start projections have also been raised, to 1.13 million units from 1.07 million .

February's starts activity is "really strong," said Ahluwalia. "It really shows inner strength."

Growth should be short-lived

The record pace, however, will only last for the next few months while the seasonal adjustor remains high. After that, Ahluwalia said, the seasonally adjusted starts number will reflect the 1.7 million-unit pace the association has forecasted.

Starts activity rose in three of the four regions. But permit activity nationwide declined 6.9% and single-family permits dropped 8% in February.

The South recorded the biggest losses of any region. Starts fell nearly 21% from January, to 732,000 units, seasonally adjusted, largely the result of declining energy prices in the Southwest. Starts were also down by 1.7% from the corresponding month one year ago. Permits in this region were down too, by 5.8% in February, to 725,000 units, seasonally adjusted.

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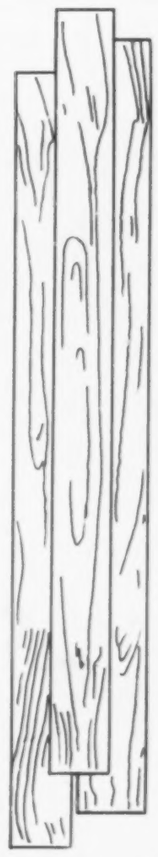

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LUMBER REPORT

Senate calls for serious action to solve Canadian import issue

By an NHCN staff editor

WASHINGTON — The U.S. Senate is demanding that the Reagan Administration "get serious" and resolve the Canadian lumber import issue.

More than one-third of the Senate protested the administration's inaction on Canadian lumber imports during a "special order day" Feb. 28 in which Senate debate was devoted to a specific issue.

Some 38 senators, headed by Senator Max Baucus, Democrat from Montana, participated in the event to call attention to Canadian trading practices that have led to record volumes of Canadian softwood lumber imported into the U.S.

Baucus supported the contention of American lumbermen that the Canadian provincial governments are providing standing timber to their producers at below market rates and often at zero prices.

"The Canadians are using bargain-basement government resources to expand their market share," Baucus said. He called the practice a subsidy, which "violates every free-trade principle we have tried to instill in the world's trading system."

'The Canadians are using bargain-basement government resources to expand their market share.'

—Senator Max Baucus,
Democrat, Montana

Joining Baucus were 11 members of the Senate Finance Committee, which is empowered to authorize the president to negotiate a free trade agreement with Canada.

"It is time for the Canadian government to recognize the consequences of its softwood lumber pricing practices," said Finance Commitee chairman Bob Packwood, Republican of Oregon. As a result of their stumpage pricing system, Packwood said, Canadian producers enjoyed "substantial price advantages over U.S. producers who pay market rates for standing timber. Consequently, Packwood added, resolution of the problem "cannot wait until the conclusion of a free-trade agreement."

Senator Sam Nunn, Democrat of Georgia, said that despite labor costs and productivity rates that compare favorably with Canada, Georgia lumbermen are losing market share because "stumpage in Canada sells for about one-tenth of what comparable stumpage sells for in the United States free market."

Trade group predicts record lumber demand

By an NHCN staff editor

PORTLAND, Ore.—Increases in home building activity and in the repair and remodeling markets should push United States consumption to a record 45 billion board feet of softwood lumber this year, a 4% increase over 1985, according to Bob Roberts, president of the Western Wood Products Association.

Roberts predicted 1.8 million housing starts this year, up from the association's previous forecast of 1.65 million.

Residential construction should account for 39% of the lumber consumption and lumber used for repair and remodeling will make up 26% of consumption.

"Last year, lumber consumption increased by 733 million board feet over 1984," Roberts said. "Canada increased its exports to the United States by 1.3 billion board feet—almost twice the consumption increase."

Canadian shipments to the U.S. are expected to hit a new record in 1986, increasing to nearly 15 billion board feet.

Western lumber producers are expected to ship 18 billion board feet of lumber in 1986, 7% more than last year. Shipments from the South are expected to rise to 11 billion board feet, 2% higher.

Roberts said there continues to be more than adequate amounts of lumber to fill these high levels of demand.

"Someday we will be at a point where Canadian and U.S. supply capability will be stretched," Roberts said. "We expect demand will continue at near record levels. These factors and others will one day provide a healthier climate in which we operate."

FUTURES

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended March 6, 1986

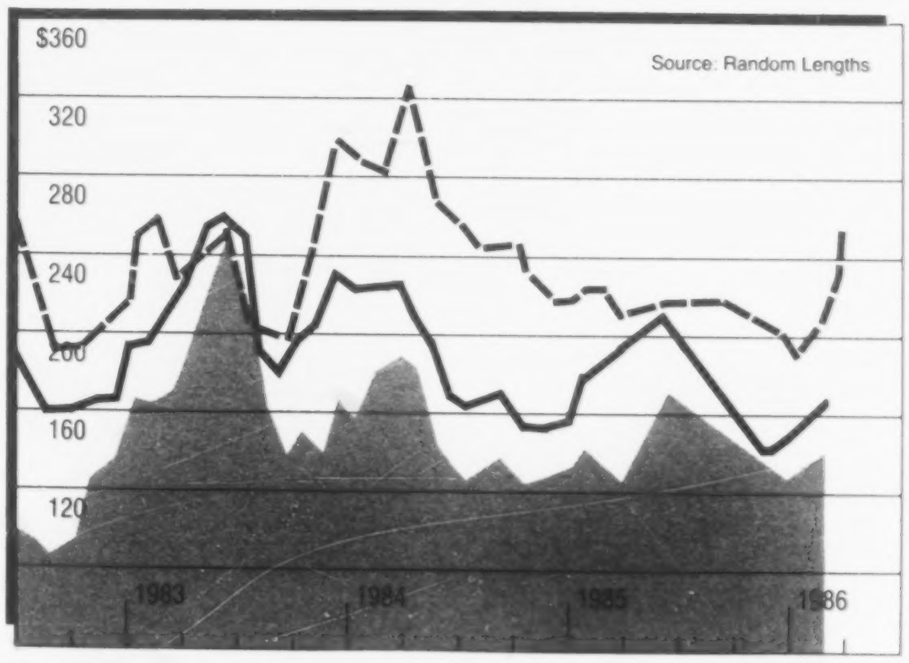
	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Mar. '86	178.00	154.20	177.80	157.70	669	195.00	136.60
May	174.30	156.50	174.10	159.60	4,006	176.40	140.00
July	174.30	158.80	173.70	161.50	1,991	183.40	144.00
Sept.	170.40	157.00	169.90	160.10	754	180.00	145.50
Nov.	166.00	155.80	163.90	157.40	335	166.90	146.00
Jan. '87	168.90	160.00	166.50	160.50	86	173.50	150.00
Mar.	169.70	161.00	167.50	161.60	38	169.70	153.00

Total Contract Volume (thru 3/6): 29,057 — **Previous week: 14,560**
Total Open Interest (thru 3/6): 7,879 — **Previous 2 weeks: 6,905**
Cash Prices: $176.40 — **Last week: $158.76** — **Year ago: $138.18**

CME—Chicago Mercantile Exchange
*Figures for Thursday, March 6.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

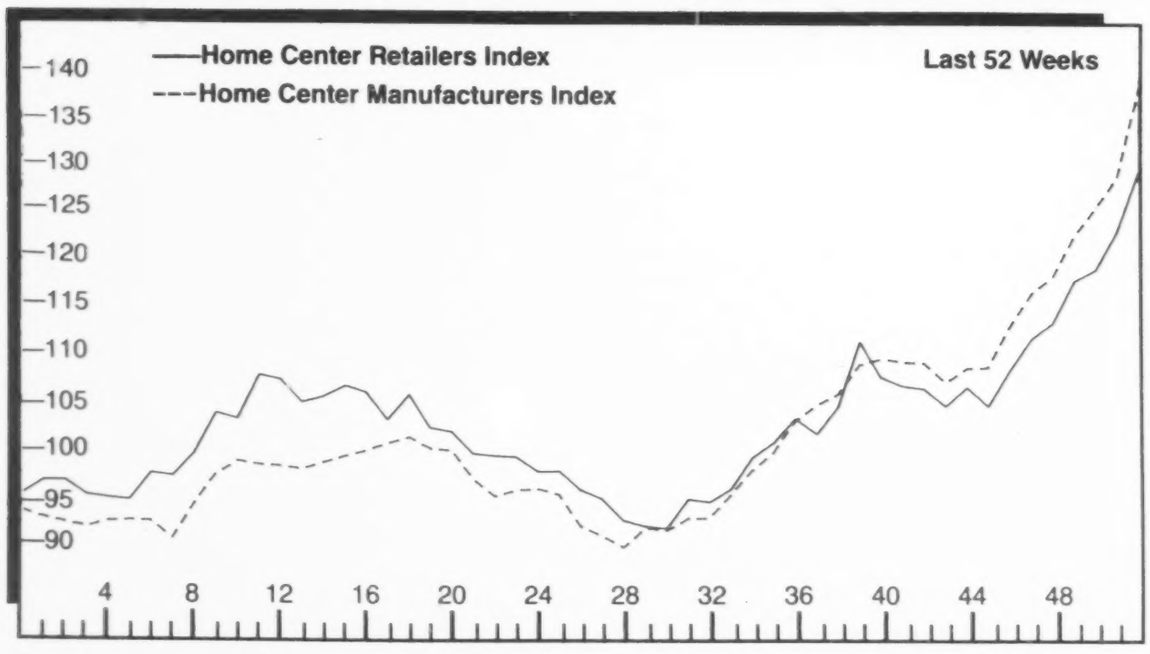
Commodity close-up

Studs and Boards
Average mill monthly prices



Prices for studs and boards have risen sharply since November with ponderosa pine #3 1 X 2 random climbing from $239 per thousand board feet in November to $262 for a February average. KD southern pine rose to a February average of $169 per thousand board feet from a November average of $158. The price of KD s-p-f 2 X 4 studs also rose.

FINANCIAL NEWS

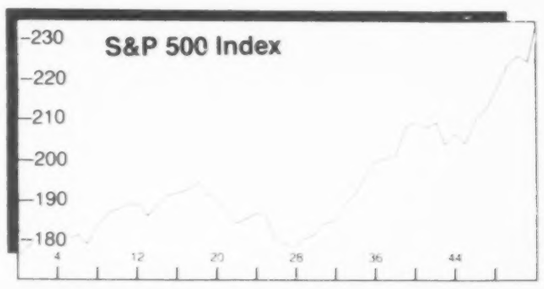


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Forest City Ent ..... A	479	490.0	23.4
Certain-teed ..... N	12,440	455.9	15.3
Hechinger B ..... M	4,327	444.1	- 3.1
Manville Cp ..... N	48,415	411.9	5.4
Boise Cascade ..... N	27,118	353.4	9.6
Allegheny Int ..... N	15,873	344.3	18.6
Erb Lumber ..... M	216	340.0	28.0
Hechinger A ..... M	10,965	308.5	- 1.0
Wolohan Lumber ..... M	3,898	301.2	- 5.6
Ply-Gem ..... A	6,843	286.7	4.3

The Volume Trend Change is the percent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Company & Market	2-Weeks Ended 3-21-86	2-Week Price Change	Total 2-Week Volume
TOP GAINERS	$	%	(100)
Erb Lumber ..... M	64.00	28.0	216
Forest City Ent ..... A	29.00	23.4	479
Lewis Palmer ..... M	9.88	19.7	3,091
Allegheny Int ..... N	23.88	18.6	15,873
Wickes Cos ..... A	6.25	16.3	216,798
Thos Inds ..... N	25.75	15.7	1,526
Certain-teed ..... N	33.88	15.3	12,440
SW Forest Ind ..... N	15.63	14.7	8,729
K mart Cp ..... N	44.13	13.5	122,132
Mor-Flo Inds ..... M	18.88	11.0	633
TOP LOSERS	$	%	(100)
Homecrafters Whse ..... M	1.63	- 35.0	907
Mich General ..... A	4.50	- 7.7	1,797
Clopay Corp ..... A	16.63	- 5.7	272
Wolohan Lumber ..... M	8.38	- 5.6	3,898
Std Brd Pnt ..... N	23.13	- 5.6	3,111
Hechinger B ..... M	23.75	- 3.1	4,327
Home Depot ..... N	15.88	- 2.3	14,023
Champ Intl ..... N	27.75	- 2.2	49,383
Supermkts Gen ..... N	56.38	- 1.5	4,923
Scotty's Inc ..... N	16.75	- 1.5	3,972

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 3-21-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Color Tile ..... M	23.00	.63	2.8	23.00	21.63	23.00	15.25	6,199	6.59	3.69	78.6	15.6	.00	.0	.....	6 mos.	12-85
Erb Lumber ..... M	64.00	14.00	28.0	65.00	47.50	64.00	20.75	216	2.42	.55	340.0	10.9	.00	.0	.....	9 mos.	09-85
Forest City Ent ..... A	29.00	5.50	23.4	29.00	23.75	29.00	20.38	479	1.18	.20	490.0	53.7	.30	1.0	.....	9 mos.	10-85
Grace W R ..... N	52.25	2.00	4.0	52.38	47.25	57.25	35.50	32,991	6.07	3.34	81.7	18.5	2.80	5.4	.....	fiscal	12-85
Handyman ..... A	28.63	- .38	- 1.3	29.25	28.13	29.88	21.75	504	1.99	.54	268.5	NA	.15	.5	.....		00-00
Hechinger A ..... M	24.25	- .25	- 1.0	27.00	23.75	27.00	16.00	10,965	12.54	3.07	308.5	NA	.16	.7	.....		00-00
Hechinger B ..... M	23.75	- .75	- 3.1	27.00	23.75	27.00	16.00	4,327	3.21	.59	444.1	24.5	.08	.3	NEW	fiscal	01-86
Homecrafters Whse ..... M	1.63	- .88	- 35.0	2.50	1.63	9.50	1.00	907	3.20	2.75	16.4	NE	.00	.0	.....	9 mos.	10-85
Home Depot ..... N	15.88	- .38	- 2.3	17.13	15.63	20.38	10.50	14,023	5.60	2.64	112.1	44.1	.00	.0	.....	9 mos.	10-85
INTERCO Inc ..... N	78.75	2.88	3.8	79.00	76.00	79.75	61.13	2,841	2.00	1.07	86.9	15.3	3.08	3.9	.....	9 mos.	11-85
K mart Cp ..... N	44.13	5.25	13.5	45.25	38.38	45.25	30.63	122,132	9.71	2.61	272.0	25.5	1.40	3.2	NEW	fiscal	01-86
Lowe's Cos ..... N	38.75	.00	.0	41.38	37.00	41.38	20.75	16,138	4.35	2.13	104.2	23.6	.40	1.0	.....	fiscal	01-86
Mich General ..... A	4.50	- .38	- 7.7	5.00	4.50	7.13	3.25	1,797	1.58	1.80	- 12.2	NE	.00	.0	.....	fiscal	12-85
Natl Lumber ..... M	5.38	.38	7.5	6.00	5.25	7.25	4.00	1,386	2.46	.66	272.7	26.9	.00	.0	.....	9 mos.	10-85
Pay N Pak ..... N	15.88	.75	5.0	16.00	14.75	16.00	11.63	4,919	4.92	1.66	196.4	19.6	.64	4.0	.....	9 mos.	11-85
Payless Cash ..... N	21.63	.38	1.8	22.88	20.25	23.38	13.50	27,602	7.97	2.52	216.3	19.0	.16	.7	NEW	3 mos.	02-86
Scotty's Inc ..... N	16.75	- .25	- 1.5	17.63	16.50	17.63	12.38	3,972	2.75	.97	183.5	14.4	.52	3.1	.....	6 mos.	12-85
Sears, Roebuck ..... N	46.00	1.25	2.8	48.00	45.00	48.00	31.75	91,736	2.52	1.14	121.1	13.0	1.76	3.8	.....	fiscal	12-85
Svc Merchandise ..... M	14.13	.50	3.7	14.88	13.88	16.13	11.25	23,332	7.00	4.63	51.2	44.1	.08	.6	.....	fiscal	12-85
Std Brd Pnt ..... N	23.13	- 1.38	- 5.6	24.63	22.75	24.63	18.75	3,111	2.75	1.12	145.5	13.9	.56	2.4	.....	9 mos.	10-85
Supermkts Gen ..... N	56.38	- .88	- 1.5	57.88	55.75	57.88	36.00	4,923	2.74	.85	222.4	15.7	.48	.9	.....	9 mos.	10-85
Wickes Cos ..... A	6.25	.88	16.3	6.88	5.38	6.88	3.44	216,798	22.46	5.97	276.2	NA	.00	.0	.....		10-85
Wolohan Lumber ..... M	8.38	- .50	- 5.6	8.88	8.25	8.88	5.25	3,898	6.66	1.66	301.2	14.0	.16	1.9	.....	fiscal	12-85
Zayre Corp ..... N	70.88	5.88	9.0	71.25	65.00	71.25	40.31	12,575	4.29	1.56	175.0	21.9	.48	.7	.....	fiscal	01-86
Wholesalers																	
Lewis Palmer ..... M	9.88	1.63	19.7	9.88	8.63	9.88	6.38	3,091	7.90	2.12	272.6	42.9	.28b	2.8	NEW	fiscal	01-86
Manufacturers																	
Allegheny Int ..... N	23.88	3.75	18.6	25.25	18.25	28.75	16.50	15,873	14.75	3.32	344.3	NE	.00	.0	NEW	fiscal	12-85
Am Standard ..... N	45.00	.00	.0	46.88	44.00	46.88	26.75	11,487	2.92	1.90	53.7	14.5	1.60	3.6	.....	fiscal	12-85
Armstrng Wrld ..... N	59.88	.25	.4	60.13	56.63	60.13	31.25	10,313	4.30	1.74	147.1	14.3	1.30	2.2	.....	fiscal	12-85
Black & Decker ..... N	23.00	.38	1.7	23.38	22.13	24.25	17.25	18,966	3.73	2.88	29.5	30.3	.64	2.8	.....	3 mos.	12-85
Boise Cascade ..... N	58.75	5.13	9.6	59.75	52.75	59.75	37.25	27,118	10.02	2.21	353.4	17.0	1.90	3.2	.....	fiscal	12-85
Certain-teed ..... N	33.88	4.50	15.3	34.00	29.63	34.00	21.25	12,440	6.56	1.18	455.9	12.4	.90	2.7	.....	fiscal	12-85
Champ Intl ..... N	27.75	- .63	- 2.2	29.75	27.50	29.75	20.00	49,383	5.32	2.17	145.2	17.5	.52	1.9	.....	fiscal	12-85
Clopay Corp ..... A	16.63	- 1.00	- 5.7	19.00	16.50	22.19	11.25	272	1.76	.65	170.8	NE	.16	1.0	.....	fiscal	12-85
DeSoto Inc ..... N	40.25	1.00	2.5	40.50	39.13	40.50	31.50	716	1.50	.48	212.5	13.6	1.40	3.5	.....	fiscal	12-85
Emhart Corp ..... N	40.25	2.88	7.7	40.50	37.25	40.50	26.25	4,814	1.74	.88	97.7	13.9	1.40	3.5	.....	fiscal	12-85
Georgia-Pacifc ..... N	32.63	- .25	- .8	33.50	31.50	33.50	20.50	41,774	4.05	1.91	112.0	17.8	.80	2.5	.....	fiscal	12-85
Insilco Corp ..... N	21.75	.75	3.6	22.13	20.63	22.88	16.63	3,608	1.84	1.19	54.6	15.9	1.00b	4.6	.....	fiscal	12-85
La Pacific ..... N	28.38	1.50	5.6	30.00	26.88	30.00	17.13	19,088	5.22	1.41	270.2	40.5	.80b	2.8	.....	fiscal	12-85
MacMiln Bldel ..... N	21.00	.50	2.4	21.38	19.75	21.38	12.47	464	.15	.07	114.3	38.9	.00a	.0	.....	fiscal	12-85
Manville Cp ..... N	7.38	.38	5.4	8.88	7.00	8.88	5.13	48,415	20.17	3.94	411.9	NE	.00	.0	.....	fiscal	12-85
Masco Corp ..... N	56.50	2.13	3.9	59.75	53.13	59.75	28.50	19,351	3.01	1.08	178.7	22.1	.64	1.1	.....	fiscal	12-85
Mor-Flo Inds ..... M	18.88	1.88	11.0	19.25	16.50	19.75	14.50	633	2.50	.91	174.7	11.4	.01	.1	NEW	fiscal	12-85
Natl Gypsum ..... N	49.50	.88	1.8	49.50	48.13	49.50	25.09	19,661	8.61	2.98	188.9	9.9	1.52	3.1	.....	fiscal	12-85
Newell Co ..... N	29.63	.75	2.6	30.00	28.50	30.00	15.13	5,110	5.93	1.60	270.6	14.2	.70	2.4	.....	fiscal	12-85
Owens Corning ..... N	52.25	3.25	6.6	54.38	49.00	54.38	30.75	27,054	9.08	2.40	278.3	11.8	1.40	2.7	.....	fiscal	12-85
Ply-Gem ..... A	15.13	.63	4.3	15.25	13.38	15.25	8.84	6,843	9.32	2.41	286.7	22.9	.12	.8	NEW	fiscal	12-85
Pope & Talbot ..... N	23.75	1.75	8.0	24.75	21.75	24.75	16.75	2,855	4.76	1.26	277.8	21.4	.80	3.4	.....	fiscal	12-85
Potlatch Cp ..... N	42.25	1.25	3.0	43.13	40.88	43.63	31.38	2,004	1.54	.79	94.9	19.3	1.56	3.7	.....	fiscal	12-85
Sherwin-Wms ..... N	57.50	1.38	2.4	58.75	55.75	58.75	31.50	4,394	1.91	.93	105.4	17.8	1.00	1.7	.....	fiscal	12-85
SW Forest Ind ..... N	15.63	2.00	14.7	15.88	13.63	15.88	9.88	8,729	9.40	3.22	191.9	NE	.00	.0	.....	fiscal	12-85
Stanley Works ..... N	42.75	2.00	4.9	43.25	40.25	43.25	26.50	5,807	2.02	1.18	71.2	15.0	1.04	2.4	.....	fiscal	12-85
Thos Inds ..... N	25.75	3.50	15.7	26.50	22.63	26.50	14.41	1,526	1.71	.54	216.7	14.1	.68b	2.6	.....	fiscal	12-85
Triangle Pac ..... N	53.13	.13	.2	53.25	53.00	53.25	26.00	2,886	7.64	2.77	175.8	13.9	1.00	1.9	.....	fiscal	12-85
USG Corp ..... N	66.00	- 1.00	- 1.5	70.75	64.00	70.75	30.75	12,543	3.76	1.62	132.1	9.8	1.92	2.9	.....	fiscal	12-85
Walter, Jim ..... N	55.88	5.13	10.1	60.00	51.00	60.00	31.00	15,631	7.39	2.53	192.1	10.5	1.40	2.5	.....	3 mos.	11-85
Waxman Ind ..... M	15.38	.88	6.0	15.75	14.25	16.88	9.00	927	2.96	1.43	107.0	28.5	.08	.5	.....	6 mos.	12-85
Weyerhaeuser ..... N	36.63	.50	1.4	38.75	36.25	38.75	24.75	52,132	4.01	1.32	203.8	27.7	1.30	3.5	.....	fiscal	12-85

Company and Market	Financial Update: Latest Quarter: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.
-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Color Tile ..... M	87.2	4.8	3.3	- 2.9	.34	- 8.1	182.2	14.8	6.6	6.5	.70	2.9
Erb Lumber ..... M	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent ..... A	72.8	14.3	.0	- 100.0	.00	- 100.0	200.0	5.7	3.6	20.0	.45	12.5
Grace W R ..... N	2013.2	10.0	44.7	- 24.4	.86	- 29.5	7260.1	7.9	146.9	- 24.9	2.82	- 29.9
Handyman ..... A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	116.8	14.1	6.6	8.2	.27	.0	479.0	18.2	23.1	10.5	.97	5.4
Homecrafters Whse ..... M	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot ..... N	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc ..... N	694.7	- .6	27.0	- 4.6	1.71	216.7	1927.7	- 5.7	61.4	- 15.0	3.89	21.9
K mart Cp ..... N	6752.2	- 1.8	10.5	- 94.9	.09	- 94.3	22420.0	6.3	221.2	- 55.7	1.73	- 54.9
Lowe's Cos ..... N	475.6	26.5	11.3	7.6	.31	6.9	2072.6	22.7	59.7	- 2.8	1.64	- 3.5
Mich General ..... A	103.6	- 1.4	(11.4)	- 100.0	(1.01)	- 100.0	439.0	- 2.3	(34.6)	- 100.0	(3.06)	- 100.0
Natl Lumber ..... M	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak ..... N	86.1	5.6	1.8	- 33.3	.18	- 33.3	259.2	6.4	6.9	- 22.5	.69	- 22.5
Payless Cash ..... N	274.5	7.7	2.4	50.0	.07	40.0	274.5	7.7	2.4	50.0	.07	40.0
Scotty's Inc ..... N	120.6	10.0	2.8	- 22.2	.19	- 26.9	230.9	9.3	5.6	- 20.0	.39	- 25.0
Sears, Roebuck ..... N	12068.2	5.2	552.3	- 1.9	1.50	- 2.6	40715.3	3.9	1303.3	- 10.4	3.53	- 12.0
Svc Merchandise ..... M	1105.5	51.4	29.1	- 17.1	.87	- 23.7	2526.5	52.5	10.7	- 76.0	.32	- 78.1
Std Brd Pnt ..... N	90.0	10.4	4.0	- 24.5	.35	- 27.1	266.4	9.1	14.2	- 12.9	1.26	- 14.3
Supermkts Gen ..... N	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	38.2
Wickes Cos ..... A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber ..... M	37.4	3.3	1.3	62.5	.22	57.1	150.7	8.3	3.5	34.6	.60	33.3
Zayre Corp ..... N	1499.0	47.1	37.9	9.2	1.14	- 11.6	4036.0	29.2	94.6	17.8	3.23	8.0
Wholesalers												
Lewis Palmer ..... M	30.6	- .3	.1	NE	.01	NE	141.0	- 2.4	.9	- 18.2	.23	- 23.3
Manufacturers												
Allegheny Int ..... N	537.5	- 7.4	(52.8)	NE	(5.61)	NE	2056.7	- 2.8	(109.1)	- 100.0	(13.08)	NE
Am Standard ..... N	413.8	- 52.0	36.2	17.5	.92	17.9	2912.0	- 9.4	122.0	6.2	3.10	1.0
Armstrng Wrld ..... N	426.0	11.4	22.6	20.2	.94	19.0	1679.2	7.0	100.9	9.4	4.20	10.8
Black & Decker ..... N	521.7	3.7	20.9	- 27.9	.41	- 28.1	521.7	3.7	20.9	- 27.9	.41	- 28.1
Boise Cascade ..... N	892.7	- 1.6	19.0	NE	.61	NE	3737.2	- 2.1	104.3	49.9	3.45	54.7
Certain-teed ..... N	261.7	- 4.4	10.4	- 25.2	.55	- 21.4	1109.7	- 6.7	53.4	22.8	2.73	25.8
Champ Intl ..... N	1194.7	- 29.3	38.1	NE	.37	NE	5769.8	12.7	163.1	NE	1.59	NE
Clopay Corp ..... A	35.5	- 2.5	(.2)	- 100.0	(.14)	- 100.0	139.2	3.9	(1.9)	- 100.0	(1.24)	- 100.0
DeSoto Inc ..... N	75.5	- 3.6	2.9	- 19.4	.60	- 15.5	405.6	- .4	14.2	- 27.6	2.97	- 16.6
Emhart Corp ..... N	484.4	8.1	23.6	- 7.8	.87	26.1	1775.0	- 1.1	80.0	- 11.5	2.90	- 11.3
Georgia-Pacifc ..... N	1590.0	- 10.0	33.0	NE	.27	NE	6716.0	.5	207.0	NE	1.83	88.7
Insilco Corp ..... N	174.7	- 3.4	3.6	- 50.7	.17	- 57.5	811.8	3.2	26.1	- 20.9	1.37	- 24.7
La Pacific ..... N	312.6	10.2	6.8	- 67.6	.19	- 69.4	1260.9	2.5	25.5	- 39.6	.70	- 41.2
MacMiln Bldel ..... N	601.7	4.0	20.4	- 15.0	.44	- 21.4	2335.4	9.8	42.9	122.3	.54	NE
Manville Cp ..... N	536.4	17.5	20.9	14.8	.61	22.0	1941.8	7.0	(45.1)	- 100.0	(2.92)	- 100.0
Masco Corp ..... N	704.9	228.3	141.3	551.2	1.42	330.3	1154.0	13.2	164.5	41.9	2.56	28.0
Mor-Flo Inds ..... M	53.2	.0	.5	- 72.2	.20	- 70.1	206.2	2.9	4.2	- 36.4	1.65	- 36.3
Natl Gypsum ..... N	62.6	- 85.4	19.5	- 22.6	.86	- 20.4	1340.0	- 22.0	116.1	8.7	5.02	9.6
Newell Co ..... N	96.6	7.6	5.5	31.0	.61	32.6	350.0	13.5	18.9	33.1	2.09	29.0
Owens Corning ..... N	966.6	27.9	44.1	31.3	1.48	29.8	3305.0	9.4	131.2	15.2	4.42	14.2
Ply-Gem ..... A	43.5	15.7	1.1	- 15.4	.15	- 31.8	166.5	3.5	4.2	- 6.7	.66	- 18.5
Pope & Talbot ..... N	74.9	- 5.1	.6	NE	.10	NE	325.2	1.6	6.7	NE	1.11	NE
Potlatch Cp ..... N	227.4	- 3.7	4.4	- 56.0	.26	- 55.2	950.3	- 4.4	37.7	- 24.0	2.19	- 21.8
Sherwin-Wms ..... N	517.4	3.2	11.3	24.2	.48	17.1	2194.9	5.8	74.6	14.8	3.23	13.7
SW Forest Ind ..... N	169.2	- 10.9	(5.0)	- 100.0	(.42)	NE	700.1	- 9.9	(12.3)	- 100.0	(1.67)	- 100.0
Stanley Works ..... N	322.4	5.4	25.7	14.7	.93	14.8	1208.3	4.3	78.3	8.1	2.85	9.6
Thos Inds ..... N	77.6	.6	4.2	7.7	.47	6.8	309.5	6.1	16.2	1.9	1.82	2.2
Triangle Pac ..... N	66.7	4.1	3.6	24.1	.92	29.6	263.9	- 2.5	15.2	11.8	3.82	15.8
USG Corp ..... N	635.2	4.0	53.9	30.5	1.63	31.5	2526.5	9.0	223.8	19.9	6.71	19.0
Walter, Jim ..... N	562.1	.7	31.7	17.0	1.45	16.9	562.1	.7	31.7	17.0	1.45	16.9
Waxman Ind ..... M	23.3	14.2	.5	.0	.17	- 43.3	44.8	9.5	1.1	- 8.3	.35	- 50.0
Weyerhaeuser ..... N	1238.0	- 12.1	63.6	132.1	.43	168.8	5205.6	- 6.2	200.1	- 11.5	1.32	- 13.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

Wickes affirms DIY stance; sells other retail chains

(Continued from page 1)

stronger commitment to manufacturing businesses, and, in terms of sales volume, is becoming a smaller company.

Wickes announced March 20 that it was putting on the selling block Woman's World Inc., a national chain of 210 clothing stores for large-size women; Howard Brand Discount Stores, a chain of 88 general merchandise discount stores located in the southern and southeastern U.S.; Mode O'Day, a franchised woman's apparel chain, and Simmons U.S.A. and Simmons International, which manufacture and market mattresses and sleep sofas.

"We have divested no one connected with lumber and building materials," Mallory said, adding that along with Wickes Lumber and BE, the building material retailing segment has been organized to include Sequoia Supply, a wholesale distributor, Wickes International, a European chain of DIY stores, Yorktown, a kitchen cabinet and vanities manufacturer, Wickes Furniture and Leath Home Furnishings.

"What we have eliminated from the company is the general and apparel—general retailing classification," Mallory said. "There has never been any question that the area of DIY retailing is very important and that we think highly of that business."

Separately, Wickes announced it plans to file a registration statement with the S.E.C. covering the proposed sale of at least $500 million in senior subordinated debentures to be used to finance "acquisition opportunities."

Mallory said Wickes has "had discussions" with W. R. Grace over the possible purchase of an unspecified portion of Grace's home center and specialty stores retail group that Grace announced are on the selling block.

"You can't tie those two together at all in any way," Mallory said of the proposal to sell $500 million in debentures and Wickes' potential interest in Grace stores. "One has nothing to do with the other.

"The proceeds from the planned divestitures and the contemplated financing should enable Wickes to take advantage of acquisition opportunities as they arise," Mallory said. "That is a continuation of the expressed objectives that the company has consistently applied to make regional acquisitions which supplement the key businesses that we own, and, if appropriate, to make a major acquisition in other areas.

"But we do not have a particular target identified in the major acquisition area," Mallory said. "We have made a number of smaller acquisitions in the $4 million to $10 million area to supplement BE and Wickes Lumber," he added, noting the purchase earlier this year of three Von Tobel's stores in Las Vegas, Nev., operated by Seattle-based Ernst Home Centers.

For its fiscal year ended Jan. 25, 1986, Wickes reported net income of $28.0 million on sales of $2.8 billion from continuing operations, compared with income of $924,000 on sales of $1.64 billion for the prior fiscal year. Wickes said it is treating all units to be divested as discontinued operations in the fiscal year just ended. Results from continuing operations include the Gulf & Western consumer and industrial products group's sales for the six month period from Aug. 1, 1985, to Jan. 25.

Mallory said the latest announcement of Wickes' intentions to sell retail operations is related to Wickes decision late last year to sell three other retail units—Red Owl Stores, Snyder Drug Stores and Western Diversified Services. The three units accounted for aggregate 1985 revenues of $900 million.

Wickes said the divestitures of the retailing operations will result in aggregate proceeds of more than $300 million to the company.

Red Owl is a grocery store wholesaler and supermarket operator based in Hopkins, Minn. Snyder Drug, Minnetonka, Minn., is a 54-unit drug store chain and wholesale supplier, and Western Diversified, Northbrook, Ill., is comprised of a group of companies which markets various insurance programs.

Both Red Owl and Snyder Drug were sold to a group of management employees headed by the president of each division and Western Diversified was sold to a subsidiary of Los Angeles-based Great Western Financial Corp.

"A year ago, we said that our objective was to do for our stockholders what we had done for our creditors during the Chapter 11," Sigoloff said. "The last year has been a good first step in that direction. The actions which we now have underway will, we expect, further increase stockholders' equity, and improve the earnings of the company."

Hardware Show expansion set amid building delays

(Continued from page 1)

space or will be shifted back into the main building and Donnelly Hall. Prazmark said exhibitors would be notified "one way or the other" before June 15th.

"We still feel with the information we have it's a go," Prazmark said, following a March 20 meeting with McCormick Place and National Hardware Manufacturers Association officials in Chicago.

"Although the Metropolitan Fair and Exposition Authority has continued to express the belief that the expansion will be completed for occupancy by August, the authority has expressed reservations as to whether this will in fact happen," Prazmark's letter to vendors reads in part.

In the event that the 379,000-sq.-ft. upper floor of McCormick Place North—slated for lawn and garden, outdoor power and outdoor living vendors—isn't completed, the letter explains, exhibitors will receive booth space in the two other buildings.

If the top and 155,000-sq.-ft. lower floor—for lawn and garden overflow, international exhibitors and government pavillions—are not ready, exhibitors will move to their 1985 locations and new exhibitors will be assigned space on "the basis of availability."

Deposits to vendors who may be bumped will be refunded, Prazmark said.

The McCormick expansion has been plagued with cost overruns, contractor problems and management difficulties resulting in delays. The planned May 12th opening in time for the June 1 Consumer Electronics Show was scrubbed late last year. A week before the National Home Center Show in February, the prime electrical contractor walked off the job. The contractor filed suit against the McCormick Place authority over payments and, at present, the electrical contract is again out for bids.

Some potential Hardware Show exhibitors have delayed building their expensive booths until final notification.

"We've delayed building our booth until we know whether we've got more space," said Steve Martin, marketing services manager for Hunter Fan, Memphis, Tenn. "For five years we've had 600 sq. ft. in a 10-ft. x 60-ft. booth. We've requested 1,000 sq. ft. for a 25-ft. x 40-ft. booth . . . that will cost between $150,000 and $200,000."

Rain Bird Sprinkler Manufacturing Co., Glendora, Calif., is in a similar situation. "We've been in the same booth for at least 10 years and now we've received a booth in the annex [addition]," said Carole Allaway. "But since we have no firm space we can't build an exhibit." In the past, Rain Bird had a 1,100-sq.-ft. space but wants to build a 1,900-sq.-ft. one for 1986. Rain Bird has already signed a contract with the exposition group and sent in a $6,737 deposit check.

Vermont-American's Gilmour Group faces the prospect of losing more than 75% of its space if the expansion fails to open.

In 1985, due to a number of acquisitions, the Gilmour Group had three booths, the largest of which was 550 sq. ft. If the proposed 1986 space of 2,400 sq. ft. in McCormick Place North falls through "we'll cram everything into the 10-ft. x 50-ft. space," said Linda Neill, advertising and merchandising manager.

An exhibit builder in Chicago was told by McCormick Place officials the expansion would open with bathroom facilities but without air conditioning. Gene Bacon, assistant gm of McCormick Place, scoffed at the idea.

Grace sells 56% stake in Herman's; talks continue on other retail units

(Continued from page 1)

One outside team headed by former ITT Chairman Harold Geneen reportedly had earlier offered Grace $700 million for the retail group. With Herman's out, the remaining units are now "more affordable—in the $460 million to $470 million range," according to one source.

However, insiders say it does not appear that Grace is planning to immediately announce its strategy in disposing of the remaining retail units.

On March 20, Grace issued a statement saying it continues "carrying on discussions with numerous prospective buyers for the remaining portions" of the retail group.

The company said that Herman's, which currently operates 131 stores in the Northeast, Midwest and Mid-Atlantic regions, will be acquired by the Dee Corp. PLC of the United Kingdom in a deal totally valued at $410 million.

Grace expects to report an after-tax gain of approximately $110 million, or $2.63 per share, from the sale. Proceeds will be used to partially repay indebtedness incurred to finance the purchase earlier this year of Grace shares originally held by the Flick Group of West Germany, the company said.

Grace originally purchased the family-owned Herman's in 1970 for $7.9 million, when the sporting goods retailer operated three stores in the New York metropolitan area. An initial public offering of Herman's took place in March 1985 at an offering price of $16.50. The Dee Corp. agreed to make a tender offer for all of the stock of Herman's at $35.25 per share, in cash.

"The terms of this transaction have demonstrated Herman's value, and we believe future developments will bear out the value of Grace's other consumer businesses as well," said J. Peter Grace, chairman and ceo of Grace.

The Grace company entered the home center business in 1976 with the purchase of Atlanta-based Handy City, and, growing the chain primarily through acquisition of existing DIY businesses, became the first home center operator to have stores coast to coast.

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Bedrooms
Bookshelves & Cabinets
Building Barbecues
Children's Furniture
Children's Rooms & Play Yards
Complete Home Storage
Curtains, Draperies & Shades
Decks: How to Build
Family Rooms, Dens & Studios
Fences & Gates
Fireplaces
Flooring: Do It Yourself
Furniture: Easy-to-Make
Furniture Finishing & Refinishing
Furniture Upholstery
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Garden Pools, Fountains & Waterfalls
Home Lighting
Home Repair Handbook
Hot Tubs, Spas & Home Saunas
Insulation & Weatherstripping
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Kitchens
Landscaping & Garden Remodeling
Landscaping for Privacy
Landscaping Illustrated
More Living Space
Outdoor Furniture
Patio Roofs: How to Build
Patios & Decks
Pillows: How-to-Make
Remodeling Your Home
Roofing & Siding
Slipcovers & Bedspreads
Solar Heating & Cooling
Solar Remodeling
Storage
Swimming Pools
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Home centers fastest growing in TV ads:TvB

(Continued from page 3)

"Builders Emporium increased its market share, showing the effectiveness and efficiency of both print and TV advertising."

As Lowe's, based in North Wilkesboro, N.C., added stores to its existing markets in 1985 so it was able to afford TV in more markets like Nashville, and Louisville, according to Ralph Buchan, vp advertising. This factor, together with grand opening spots, resulted in an increase in TV spending to $2.34 million, 33% above 1984.

"In 1984 we ran more institutional spots than in 1985,"said Buchan. "We found we could do both together in 1985."

Scotty's, the Winter Haven,Fla.-based chain, was notably absent from the top 15 list as it cut back on its TV advertising expenditure in 1985 to finance the introduction of its major print campaign centering on flexi catalogs. Sutherland Lumber, based in Kansas City, Mo., also decreased its TV spending by 35% yet still ranked among the leading chains in tenth position.

Advertising executives do not envisage any slowdown in TV spending in 1986.

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National
Home Center News ®

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Bruce Barter, of Handy Andy, at the chain's recent opening in Milwaukee. A second unit will open in the fall, and a third unit is planned for the market. NHCN photo

Handy Andy debuts Milwaukee's largest unit

By Gary S. Ruderman
NHCN staff editor

MILWAUKEE — Handy Andy Home Centers of Wisconsin opened April 11 in Milwaukee with the largest home center in this market of 1.1 million people.

Following five days of teaser print and television ads, the 103,000-sq.-ft. combination warehouse and showroom began a test run, for employees and their families, April 9, before opening to the public two days later.

A grand opening is planned for May, according to Bruce Barter, chief operating officer and partner in the venture.

He said a second 63,000-sq.-ft. store is under

(Continued on page 77)

Hechinger dumps whse format; cites low margins and sales

By Phillip M. Perry
NHCN staff editor

LANDOVER, Md. — Hechinger Co. said late last month that it would no longer build warehouse home centers, because the levels of sales and gross margins achieved at such stores had not met expectations.

The $479 million company began an experiment with warehouse home centers late in 1984, when it built its first such unit in Raleigh, N.C. By the end of last month, the chain operated eight warehouse units and 47 traditional home centers.

The company has launched a $16 million campaign to remodel its entire chain—traditional and warehouse stores alike—into a new prototype called "the new Hechinger." This campaign was begun on March 22 with the completion of the remodeling of the company's two stores in Richmond, Va.

Speaking before a meeting of the New York Society of Securities Analysts, officials of the $479 million company said that, in markets where the company had constructed warehouse units against similar stores built by competitors, gross margins and revenues had fallen below acceptable levels.

"You can do greater volume and obtain a better return on investment with warehouse

(Continued on page 77)

Financier claims Geneen bid for Grace has been accepted

By Milford Prewitt
NHCN staff editor

NEW YORK — A partner in a triumverate seeking to buy the retail division of W.R. Grace disclosed that the group's bid has been accepted and merely awaits the resolution of some "mechanical" points before the deal is put to rest and made public.

"As far as we are concerned, we've got a deal," said financier Michael Rosenthal, who along with Harold Geneen, former chairman of ITT and David Mahoney, former chairman of Norton Simon is attempting to purchase the retail division, which includes 317 home centers.

Rosenthal declined to state the final purchase price for Grace's remaining retail network and would not elaborate on the nature of the final closing points. He was also reluctant to suggest when the finished deal would be made public.

"If you've never been through one of these transac-

(Continued on page 78)

Nursery and craft chain plans national expansion

By Donald Longo
NHCN staff editor

DETROIT — Frank's Nursery & Crafts, the 139-unit chain of lawn, garden and craft stores that operate mainly in the Midwest and Middle Atlantic states, opened the first four of a projected seven outlets in the St. Louis market early this month.

In line with its parent company's plan to become the only national chain of retail nursery and craft stores, Frank's plans to enter other new markets, including the cities of Louisville, Ky., and Orlando, Fla., in the coming months.

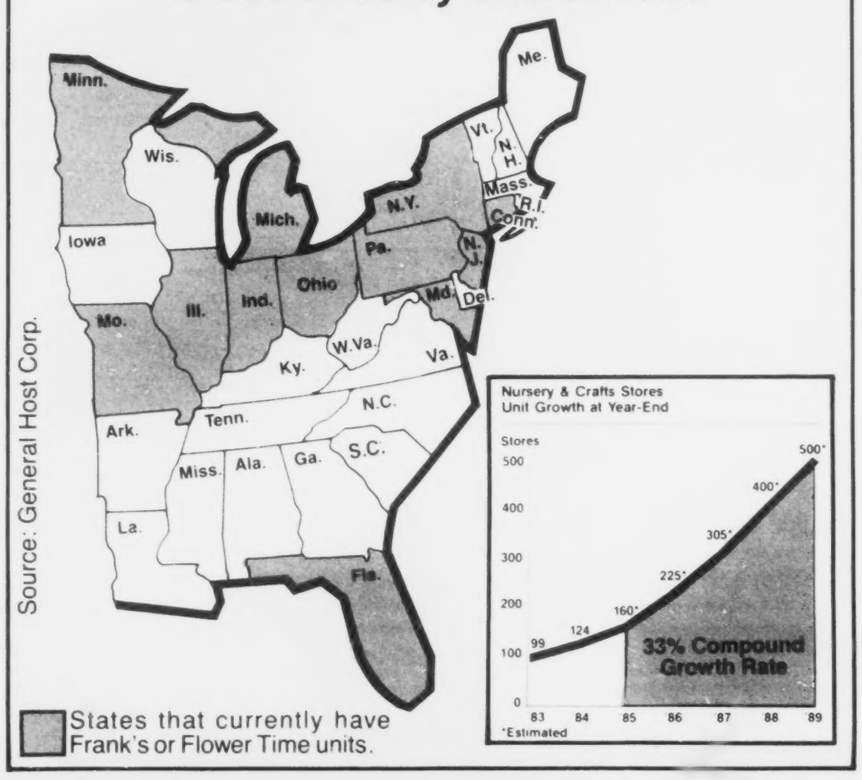
The subsidiary of Stamford, Conn.-based General Host Corporation recently opened the first of about 24 planned stores in southern Florida and has converted seven former Scott's home improvement centers in the Baltimore/Washington area into Frank's outlets. The remaining 10 Scott's units, acquired from Scotts Seaboard Corporation last July, are expected to be reopened by mid-year.

This year's ambitious plan calls for opening 65 stores in both existing markets and new markets contiguous to current trading areas.

This expansion by Frank's comes at a time when several other companies are looking to capitalize on the tremendous growth in the sale of outdoor products. The first in a proposed chain of 25 Yard King

(Continued on page 78)

Frank's/Flower Time plans growth to 500 units by end of 1989



Evans Ch. 11 reorganization hits lender snag

By John Caulfield
NHCN staff editor

SAN FRANCISCO—The reorganization of Evans Products Co. hit a snag late last month, when the company's bank lenders turned against a tentative agreement struck between attorneys for Evans and the banks.

That agreement (*NHCN*, March 24) contained a provision that would have had the banks redistribute the stock of Evans Transportation Co. to shareholders of Evans Products Co.

However, according to Patrick Murphy, an attorney for the bank lenders from the law firm Murphy, Weir & Butler

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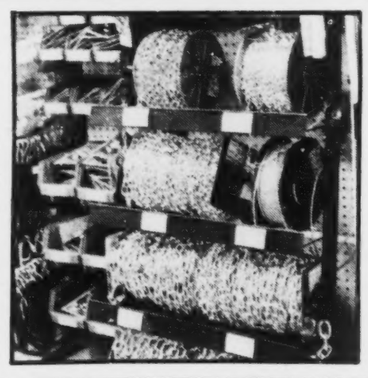
Inside

Perspectives: As it begins a major restructuring, Belgium's GB-Inno-BM is concentrating on expanding its home center operations. **21**

Europe: The difficult European economy is making DIY retailing something less than the gentlemanly business it once was. **24**

Merchandising: Many home centers are remerchandising to devote increased space to hardlines specialization **33**

Market analysis: Senior editor Don Longo examines southern Florida, where chains compete in a market that contains, what some describe as, 'Blood Alley'. **44**



Newsbreaks

BUYER FOUND FOR NEIMAN-REED: Veteran lumber retailer Jess Ruf bought an ownership stake in the 12-unit, Van Nuys, Calif.-based chain and replaced Doug Williams as president and ceo April 4. Ruf, owner of single-unit Sunset Builders Supply in Los Angeles, intends to complete his acquisition of the 38-year-old chain within a year.

PAY 'N PAK'S EXECUTIVE VP RESIGNS: Monte A. Leen, 43, the 106-unit, Kent, Wash.-based retailer's No. 3 official, resigned his post as executive vp and company director April 1.

Industry Update

NHD opens 3 new units in NE

STOUGHTON, Mass. — National Hardgoods Distributors, the New England chain of 20 hardware stores, will open three new units this spring in Fall River, Mass.; Groton, Conn.; and Nashua, N.H. The stores, which will be located in shopping centers, range in size from 15,500 sq. ft. to 18,000 sq. ft.

The company also plans to construct new stores for openings this fall in shopping centers in East Providence, R.I.; Plaistow, N.H.; and Marlboro, Mass.

NHD currently operates 20 Super Hardware Stores—nine in Massachusetts, 10 in Rhode Island and one in Connecticut. National Hardgoods president Sheldon M. Woolf also noted that the company's newly appointed director of real estate, Richard W. Keller, is actively reviewing sites for a continuation of aggressive growth plans in 1987.

Knox LBO date set for late April

ST. PAUL, MINN. — Although the leveraged buyout of Knox Lumber Co., "is still on," according to company president Richard Miller, the closing date has been pushed back again, this time from March 30 to late April.

The deal "looks probable," Miller said. "We're now talking about the actual transfer of funds."

Knox, a 10-unit home improvement retailer headquartered in St. Paul and owned by the Phonenix-based Southwest Forest Industries, is being sold to a group of investors that includes some Knox management and the Sterling Group of Houston, an investment banking firm, for $29 million plus the assumption of certain liabilities.

Brewsters in sale negotiations

PROVIDENCE, R.I. — Negotiations for the purchase of Brewsters, the four unit independent based here, by P. F. O'Connor Co., based in Braintree, Mass., are currently under way according to several sources. Arthur Milot, president of Brewsters confirmed that all four units in Connecticut, Rhode Island and Massachusetts would be sold together, but otherwise declined to comment.

P. F. O'Connor operates one unit in Middleboro Mass., under the name Causeway Lumber and five additional units in Florida, New Hampshire and Massachusetts which trade under the P. F. O'Connor name.

Stocks reverse, take a breather

NEW YORK — Home center industry stocks took a breather from the lofty price gains of the past eight weeks, as losers outnumbered winners 40 to 17, with one issue unchanged, for the two-week period ended April 4.

While this represents a reversal of the previous period's gainers-losers scorecard, industry-wide market value for both retailer and manufacturer issues was slightly higher than for the previous period.

Hechinger B topped the gainers list with a 9.5% price gain to $26. Homecrafters Warehouse and Payless Cashways also reported better than 5% price rises for the period.

See financial tables, page 88.

17 Gainers

Unchanged 1

Losers 40

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.).

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Vol. 12, No. 9 April 21, 1986

New specialty store strategy unveiled

Montgomery Ward scales down home improvement offering

By John Caulfield
NHCN staff editor

CHICAGO — Montgomery Ward intends to discontinue or scale down considerably the home improvement product offering in its 120 small to midsized stores. In addition, the company, which is in the midst of an asset redeployment program, has begun a major retrofit and remerchandising effort that will include 40% of its 290-plus units this year.

Last month, the $4.2 billion retailer began its program to convert 34 small to midsized units and eight larger stores to mirror specialty unit prototypes the company has been experimenting with in six cities since late last year.

Another 75 small to midsized stores will be remerchandised along specialty lines, although they won't be retrofitted.

The larger units, of which there are 170, run from 85,000 to 110,000 sq. ft.; Ward's other stores are from 40,000 to 70,000 sq. ft.

Since August, Ward's has been implementing a program that will transform the company into more of a specialty retailer. Part of that move included discontinuing its 113-year-old catalog which, according to company spokesperson Lauren Luik, had been losing $50 million annually for the past several years.

Only a small assortment of

(Continued on page 78)

Kuntz exposes commodities in effort to drive up project sales

By Phillip M. Perry
NHCN staff editor

DAYTON, Ohio — Nearly a year after opening the largest store in its history, Peter Kuntz Building Centers has taken a second major step in its drive to punch up its profitability in a changing—and far more competitive—market environment.

Last month, the $54 million company completed a renovation of its largest volume store, its eight-year-old unit located on Alex Bell Road in this city.

"Our primary consideration was to get more visibility of lumber and commodities in the store," said Bob Laravie, advertising manager for the chain. "They represent some of our highest volume departments, but the average consumer coming into the store didn't see them."

Two gondola runs of doors and windows, each of which stretch over 30 feet, are positioned at the very front of the showroom. Lumber and building materials, hardware and builders hardware, and electricals have also been moved forward in the store.

For Peter Kuntz, the move reflects a larger plan to present a stronger commodity presence throughout its 21 stores. Last year the company opened the largest store in its history, a 38,000-sq.-ft. showroom in Englewood, Ohio that exposed commodities at a spot clearly visible from the parking lot. (*NHCN*, May 6, 1985). The new store represented a radical departure from its largely consumer-oriented unit, opened in 1983 in Huber Heights, Ohio.

The area of Dayton, Ohio has been the scene of new store acivity recently, and the heightened competition has been a driving force behind the company's remerchandising. Furrow's, a name used for Payless Cashways stores in some areas, opened its first unit in the market a year ago, across the street from the PK unit in Huber Heights. And Furrow's is currently constructing a second unit, this time on a site only two miles from the PK at Alex Bell Road.

"We see the potential that the Alex Bell store has," said Laravie. "With the new competition moving into the area, if you sit still and do nothing, you're going to get hurt."

Highlights in this issue

Perspectives

cover story

HOME CENTER EXPANSION PLAYS KEY ROLE IN GB—INNO PLANS

As it begins a major restructuring effort, GB-Inno-BM, the $3 billion retailer based in Brussels, is concentrating on expanding its home improvement operations, both in the United States, and in Europe where its home center chains in France and Belgium struggle against competition in markets dealers say are stuck in neutral.—**21**

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Lumber products prices surpass highest levels in '85

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Price points for most lumber and structural panel products in March surpassed the highest levels reached in 1985 and could match post-recession records if demand and consumption activity grows through the summer, industry sources and analysts believe.

A number of encouraging economic developments blended together about the first week in March to bring forest products producers some of the highest mill prices the industry has experienced since 1983.

While lumber and plywood prices historically have risen with heightened construction from warmer spring weather, the surge in this season's prices is viewed in an upbeat light by an industry that has been considered depressed since the start of the decade.

Random Lengths (March 28) lumber composite price index—a broad measuring stick that gives an average selling price of five key lumber products—reported that framing lumber was selling at $239 per thousand board feet compared to last year's level of $178.

But in specific product lines, the newsletter identified even more telling increases. A key dimensional lumber in roof and floor trusses, 1x12 KD ponderosa pine, was selling at $295 per thousand board feet at the end of March 28, compared to $203 last year.

Industry observers said lower interest rates, strong housing starts, better weather and the general perception of lowering inflation triggered unseasonably high mill orders and volatile futures speculation. This demand, together with supply interruptions in certain product lines, produced an upswing in prices.

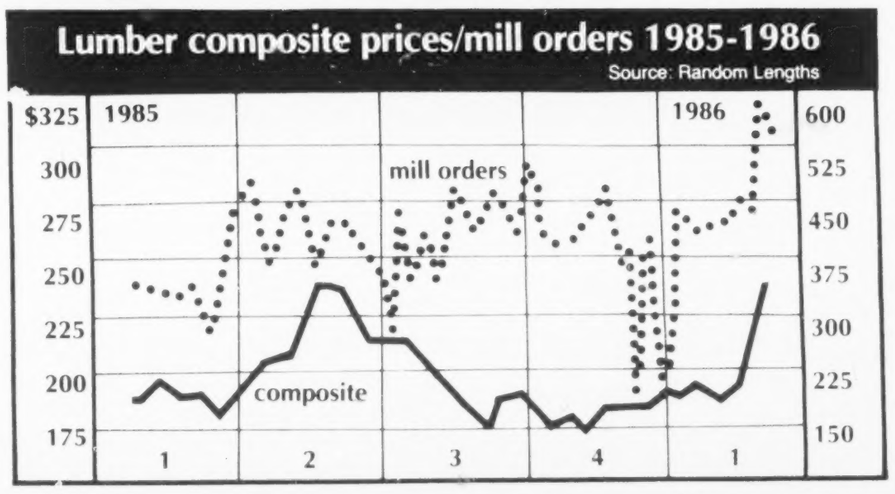
Lawrence Ross, a forest products industry analyst for Merrill Lynch, believes the drop in lumber prices is part of a deflationary cycle triggered by the plummet in oil prices.

"The oil price had more to do with this than anything else," Ross said. "The oil price comes along and drops, and all of a sudden, it looks as if inflation is going to go down in the world and then as interest rates go down and mortgage rates go down, the number of families that can afford new homes increases and you start getting housing starts above expectation.

"With higher housing starts, people's whole perception of the market changes and all of a sudden they run and they buy for inventory because they know the history of this business that anytime interest rates go down and stay down, there is a surge in lumber and plywood prices."

But in addition, observers said a number of industry-specific factors have played a part in the lumber price spiral.

(Continued on page 16)



Buoyed by strong housing starts and intense futures trading, lumber prices and mill orders in March topped the highest levels reached in 1985. And, while prices traditionally rise in the spring, the current upswing follows a leveling off period of seven months.

Torrential downpour causes Home Depot roof collapse in Fla.

By Donald Longo
NHCN staff editor

WEST HOLLYWOOD, Fla. — A torrential downpour that dropped five inches of rain on southern Florida in just three hours caused a portion of the roof of a Home Depot warehouse store here to collapse, deluging the building with a foot of water, buckling steel support girders and causing minor injuries to two employees.

According to Public Information Officer Frank Poynter of the Broward County Sheriff's Department, the cave-in occurred at 10:33 P.M. on March 26 at the south end of the store, which is located at 1951 South State Road 7, at the corner of Pembroke Road. The Home Depot unit, a former Treasury discount store, shares a shopping center with a Service Merchandise catalog showroom and a Marshall's department store. The adjacent stores were not damaged.

An inventory team of seven workers had just closed the store and was in the parking lot when a 50-ft. by 100-ft. section of the roof fell, said Poynter. One employee was treated for a sprained ankle and another for emotional distress following the crash that sent smaller merchandise flying against the store's front glass windows, which somehow withstood the surge, Poynter told *NHCN*.

Firemen, paramedics and spectators wade through over 1-ft. of water in front of The Home Depot in West Hollywood, Fla., after torrential downpour caused a large section of the store's roof to collapse. Two store employees were slightly injured in the March 26th mishap.

Miami Herald photo by Walter Michot

The local fire chief was quoted in a radio report as saying the weight of the water on the roof "twisted the I-beams like pretzels."

"At first glance, I would say they [The Home Depot] were lucky," said Poynter, who ex-

(Continued on page 78)

New warning labels may protect against potential hazards of paint stripper

By Gary S. Ruderman
NHCN staff editor

NATIONAL REPORT — In what one participant called a "historic" meeting, manufacturers, formulators and consumer groups began working with the Consumer Product Safety Commission (CPSC) last month on ways to better protect consumers from the risks of methylene chloride, a chemical used in paint remover.

Methylene chloride was linked in 1985 by a federal testing laboratory to cancerous and noncancerous tumors in laboratory animals.

"It's the first time we didn't have to get into a debate over the complex scientific data," said Patrick Hurd, counsel for the National Paint and Coatings Association, representing formulators and aersosol paint manufacturers. "I'd say it was historic. It's the first time we're all together. If all of us and the CPSC can sit down without protracted rule making, we can reduce consumer exposure to methlyene chloride," said Hurd.

The hearings are part of a rule-making procedure by the CPSC. Once new wording for labels, for example, are agreed upon and the commission endorses the wording, new labeling is a voluntary move by manufacturers of paint strippers and other products that use methylene chloride.

The new labeling is mandatory if the CPSC commissioners make a rule, perhaps three years down the road.

The goal, according to Hurd and several others, is threefold: better labeling as to the long term health risks of methlyene chloride, better consumer education at the store level and possible reformulation of paint

(Continued on page 77)

Ex-Walker-Kurth unit kept open by former employees

By Laura Liebeck
NHCN staff editor

KILLEEN, Texas — When the Walker-Kurth Lumber Co. closed its doors for the last time last year, the doors to its Killeen store remained open.

Unlike the other four stores owned by the Houston-based company that liquidated the outlets last year, the unit in Killeen, located 200 miles west of Houston between Austin and Waco, was sold. The new owners are James W. Clark II, 28, of Copperas Cove, Texas, and Donald E. Farek, 48, of Killeen. They renamed the store Clark/Farek Building Supply Center, but kept the company emphasis on the builder customer.

"We're still going," asserted Nell Mangerich, manager of Clark/Farek and a 30-year employee with the unit through its many owners. "We're still alive."

Clark/Farek was purchased from the Walker-Kurth Lumber Co. by Clark and Farek on May 8, 1985 for an undisclosed sum. The unit had been part of the Walker-Kurth operation for six years.

In its first year of operation, Clark/Farek is expected to tally sales of $8 million, the same as when it was a Walker-Kurth store, said Mangerich, who was the general manager of the store before the sale. "If we can reach that $8 million we'll make money, but it won't be a big amount," added Farek.

Clark/Farek does 70% of its business with professional customers, operating from a 3½-acre site that includes an 8,000-sq.-ft. retail showroom and a 7,000-sq.-ft. lumber and building materials facility. The company also operates a door plant. It stocks between 13,000 and 15,000 sku's.

Although Clark/Farek has undergone a lot of changes since the new owners took over, Farek said there is still more to come. The two new owners already plan to add another unit as well as continue making improvements in the existing location.

So far, the single-unit retailer spent $76,000 on a new Data General POS system, reorganized the store layout and added some new departments and services. "We haven't done everything we want to do because of money. We'd like to redo the fixtures," said Farek.

Since the purchase last spring, Clark/Farek bought a Green Thumb lawn care franchise from Cotter & Co.—of which it is a member—and reintroduced its home improvement program, a service it stopped in 1979 when Walker-Kurth bought the store from its then owner Bill Yowell. Clark/Farek's home improvement service involves doing minor construction work for its customers, explained Mangerich.

Clark/Farek also reorganized the 15-year-old floor layout by moving some departments around, including the paint department, which was moved from the back of the store to the front. In addition, a full-line General Electric appliance department was added in December, and also located in the front of the store. Farek said 60% of all the appliances sold at the store are sold to contractor customers.

Currently, Farek said the company is working to put more emphasis on its seasonals department, particularly lawn and garden.

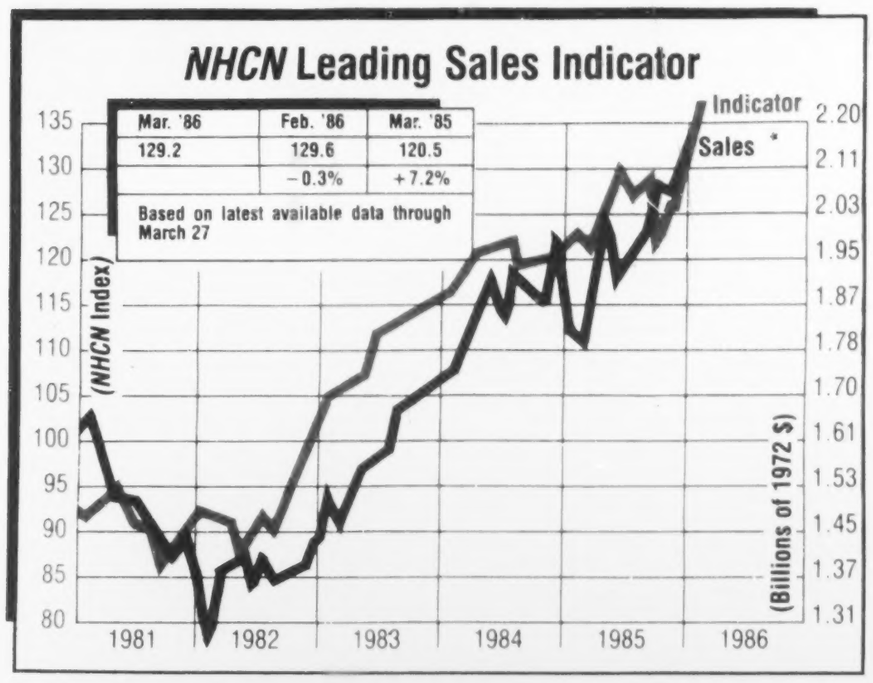
The changes at Clark/Farek also meant changes to the company's signs and color scheme, from green and beige to navy, beige and rust. It also added about five new employees, for a total of 65, and created a new corporate position, manager of operations, headed by Dwight Chandler, formerly manager of building sales and operations.

Under the helmsmanship of Mangerich, the company is divided into two divisions: builder sales, headed by Jimmy Parker, and consumer sales, managed by Bill Kozlik.

Being an independently-owned and operated business has been rewarding, said

(Continued on page 77)

BUSINESS WATCH



The *NHCN* leading indicator declined 0.3% in March. Existing home sales have been down for two months. The decline in interest rates will lead to higher resale activity in the months ahead. Data currently available indicates an April index of 130.

*—Monthly retail trade building materials and supplies in 1972$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

Plunging mortgage rates boost resale affordability, building material sales

By Richard Mount
Special to NHCN

Resale affordability points to a 10.5% rise in building material sales

The affordability of existing homes is at its highest since April of 1979.

Falling mortgage rates will increase affordability this summer by more than 10%. With home buying concentrated in the spring and summer, favorable buying conditions at these times will boost building material sales into the fall.

Mortgage rates will rebound in the second half by 50 to 100 basis points but the economy will be strong, and rising incomes will keep resales high. Resales will rise

Richard E. Mount

7% this year, possibly more.

These gains in resale affordability in turn, will lead the way for retail building material sales to rise 10.5% this year; 7% after adjusting for inflation. Of the many markets for building supplies, resales are the largest. Resales are also the major component of the *NHCN* Leading Indicator, providing guidance on the future direction of the building material industry.

Housing affordability, as measured by Merrill Lynch Economics and other firms, is a ratio of household income to mortgage payments. Affordability measures the ability of families to meet monthly mortgage payments based on changes in income, home prices, and interest rates.

In the Merrill Lynch Economics index, households are assumed to spend 25% of pretax income on mortgages and

(Continued on page 5)

Home Center Industry—General Business Outlook

		1985				1986						
		1Q	2Q	3Q	4Q	1Q^p	2Q^p	3Q^p	4Q^p	1984	1985	1986^p
***NHCN* Leading Sales Indicator** (January 1980 = 100)		120.2	124.3	125.2	123.5	128.8	130.1	129.7	129.4	117.8	123.3	129.5
General Economic Outlook												
	GNP $1982 Billion	3,547.8	3,557.4	3,584.1	3,594.8	3,638.1	3,672.6	3,712.2	3,753.4	3,774.7	3,571.0	3,694.1
	Real Disposable income $1982 Bil.	2,482.7	2,532.2	2,503.1	2,517.6	2,543.2	2,568.1	2,593.6	2,617.3	2,468.4	2,508.9	2,580.6
	Housing Permits (000 SAAR)	1,667	1,731	1,762	1,741	1,825	1,750	1,675	1,630	1,682	1,739	1,765
	Housing Starts (000 SAAR)	1,761	1,743	1,687	1,773	1,930	1,825	1,775	1,750	1,750	1,742	1,825
	New Home Sales (000 SAAR)	668	681	711	692	740	740	720	700	639	686	725
	Resales (000 SAAR)	2,970	3,047	3,363	3,500	3,450	3,450	3,400	3,350	2,868	3,216	3,413
	Prime Rate %	10.5	10.2	9.5	9.5	9.4	8.8	8.3	8.5	12.0	9.9	8.8
	Mortgage Rate % (HUD)	13.0	12.9	12.1	11.8	9.9	9.5	9.7	10.0	13.8	12.5	9.8
	Consumer Price Index (1967 = 100)	317.8	321.1	323.0	326.5	328.1	330.2	332.5	335.1	311.1	322.1	331.5
	Producer Price Index (1967 = 100)	292.1	293.8	293.1	296.5	295.7	295.0	294.7	295.3	291.2	293.9	295.2
	New Housing Affordability 1980 = 100	113.7	112.6	119.3	119.3	128.3	142.8	140.7	138.0	102.2	116.2	137.5
Residential Alterations and Repairs												
Current	Total $ millions SAAR	84,900	70,400	70,575	72,928	75,498	77,773	80,356	82,801	69,784	74,701	79,107
	Maintenance and Repair	37,300	32,400	30,888	32,074	33,102	34,149	35,212	36,294	28,894	33,165	34,689
	Additions and Alterations	29,700	25,600	26,672	27,359	28,234	28,964	29,795	30,458	27,822	27,333	29,363
	Major Replacements	17,900	12,400	13,015	13,495	14,161	14,661	15,349	16,050	13,067	14,203	15,055
Constant	Total Millions $1977 SAAR	49,739	40,975	40,670	41,610	42,650	43,500	44,500	45,400	41,134	43,249	44,013
	Maintenance and Repair	21,853	18,858	17,800	18,300	18,700	19,100	19,500	19,900	17,029	19,203	19,300
	Additions and Alterations	17,400	14,900	15,370	15,610	15,950	16,200	16,500	16,700	16,406	15,820	16,338
	Major Replacements	10,487	7,217	7,500	7,700	8,000	8,200	8,500	8,800	7,699	8,226	8,375
Retail Trade Activity												
Current	Total $ Millions SAAR	1,337,312	1,369,400	1,399,296	1,388,316	1,402,764	1,425,258	1,446,876	1,473,805	1,293,062	1,373,941	1,437,176
	Total Minus Automobile	1,038,196	1,055,360	1,066,248	1,082,244	1,088,034	1,103,326	1,119,448	1,137,279	1,014,528	1,061,148	1,112,022
	Building Material, Hardware, Garden Supply, Mobile Home	70,444	73,280	74,328	78,024	77,167	78,146	79,172	80,140	69,488	74,062	78,656
	Building Material and Supply	50,468	53,012	53,248	56,676	56,614	57,870	58,832	59,748	49,774	53,534	58,266
	Hardware	9,844	9,984	10,256	10,608	10,623	10,798	10,929	10,921	9,530	10,152	10,818
Constant	Total Millions $1972 SAAR	635,500	648,388	661,912	656,104	663,480	667,445	670,860	676,580	621,128	650,476	669,591
	Total Minus Automobile	495,168	501,916	506,692	515,108	516,885	518,960	521,330	524,390	489,405	504,721	520,391
	Building Material, Hardware, Garden Supply, Mobile Home	31,104	32,464	33,968	34,568	33,850	33,940	34,045	34,120	31,185	32,801	33,989
	Building Material and Supply	22,284	23,484	23,690	25,146	24,870	25,170	25,335	25,475	22,623	23,651	25,213
	Hardware	4,344	4,424	4,563	4,700	4,660	4,690	4,700	4,650	4,334	4,508	4,675
	Building Materials % of Total Less Automobile ($Current)	4.86	5.02	4.99	5.24	5.20	5.25	5.26	5.25	4.91	5.04	5.24

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
March 27, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

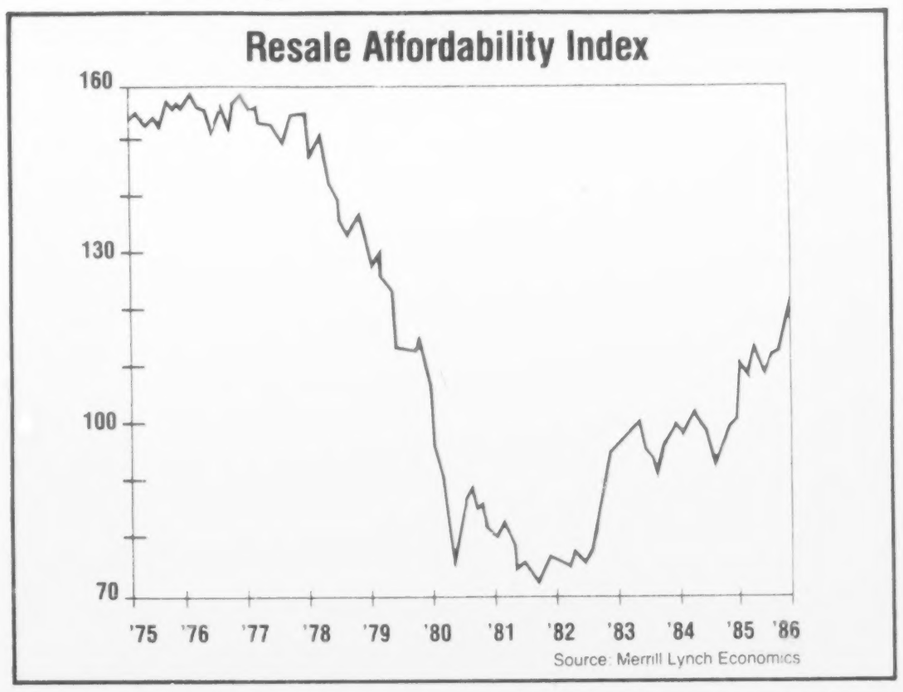
BUSINESS WATCH

Gains in housing affordability point to 10.5% rise in building material sales

(Continued from page 4)

choose 25-year, fixed-rate loans for the average-priced home. Because new and existing homes have different prices and mortgage rates, most firms have different affordability indexes for new and existing homes. *(see chart)*

Resales were the strongest housing market in 1985, rising 12%. They enjoyed an $11,000 price advantage over new homes. Weak economic conditions in areas dependent on energy industries and agriculture caused many home owners to sell. Falling prices for resales kept new-home demand in check. Resales also gained as they became more affordable to households entering the market for the first time and those who wanted to tradeup.



Home affordability has turned up sharply since the middle of 1983. Because of the persistence of high mortgage rates, the affordability level remains well below what it was in the 1970's.

Mortgage rates and affordability

Rise and decline of interest rates cause most of the changes in housing affordability. In the past year, the national average for effective fixed-rate mortgages for existing homes fell to 10.5% from 13.1%. By the third quarter of 1986, this rate will be 9.5%.

The decline in mortgage rates lowers monthly payments. The payment for a 25-year fixed-rate mortgage of $100,000 has declined from $1135 a year ago to $944 now and will near $874 by the end of the summer.

Resale prices to accelerate this year

Resale prices will increase 5% this year. Sellers will have more pricing flexibility as the economy strengthens. Building material costs will increase as the declining dollar makes imports more expensive, pushing prices of existing homes up even further.

Better affordability, brought about by the latest plunge in mortgage rates, points to a strong year for resales in 1986. The advances in resales in the second half of 1985 will increase building material demand during the first half of 1986, while the gains in resales this year will raise retail markets into 1987. Building material sales will advance at 7% in real volume.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Cyclops cancels buyout and separation of divisions

PITTSBURGH — Cyclops, the $1.3 billion parent company of Busy Beaver Building Centers, has backed out of its previously announced plan to take its private steel division in a management-led leveraged buy-out.(*NHCN*, Jan. 1).

The move, which would have left in place a public company consisting of Busy Beaver and Silo, a chain of 112 appliance stores, was canceled because of what Cyclops called complications in the tax laws.

"The retail company would have been obligated to take on the insurance benefits for the retirees from the steel division," said a Cyclops spokesman, in explaining the ramifications of the tax laws. As a result, "the outside shareholders became concerned that they would not get the premium over the market value they had expected."

As to whether an alternative plan could be developed to bring about a separation of the steel division from the retail one, Cyclops would only state that "we are pursuing other routes to maximize shareholder value and liquidity."

Home Depot reports 42% decline in 4thQ

ATLANTA — The Home Depot reported earnings of $8,219,000 for the 52 weeks ending Feb. 2, representing a decline of 42% from the $14,122,000 earnings of 1984.

The company reported revenues of $700,729,000 for the year, up by 62% over the 432,779,000 for fiscal 1984.

For the fourth quarter that ended Feb. 2, the company reported earnings of $2,587,000, compared with the $3,597,000 for the same quarter of the previous year.

Included in The Home Depot's fourth quarter 1985 earnings before income taxes is a net gain of $1,317,000 on the disposition of capital assets.

Revenues for the fourth quarter came to $203,724,000, up from the $117,380,000 in the prior year's fourth quarter.

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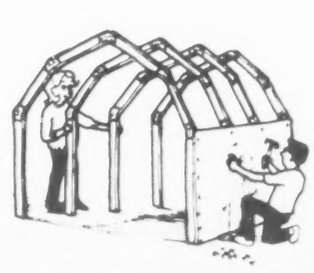

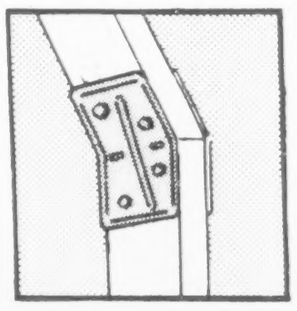

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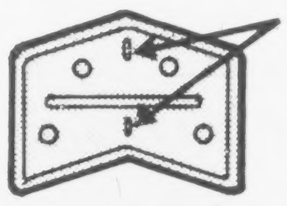

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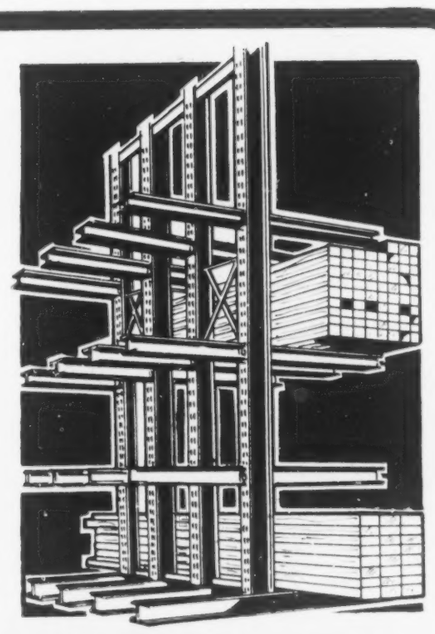

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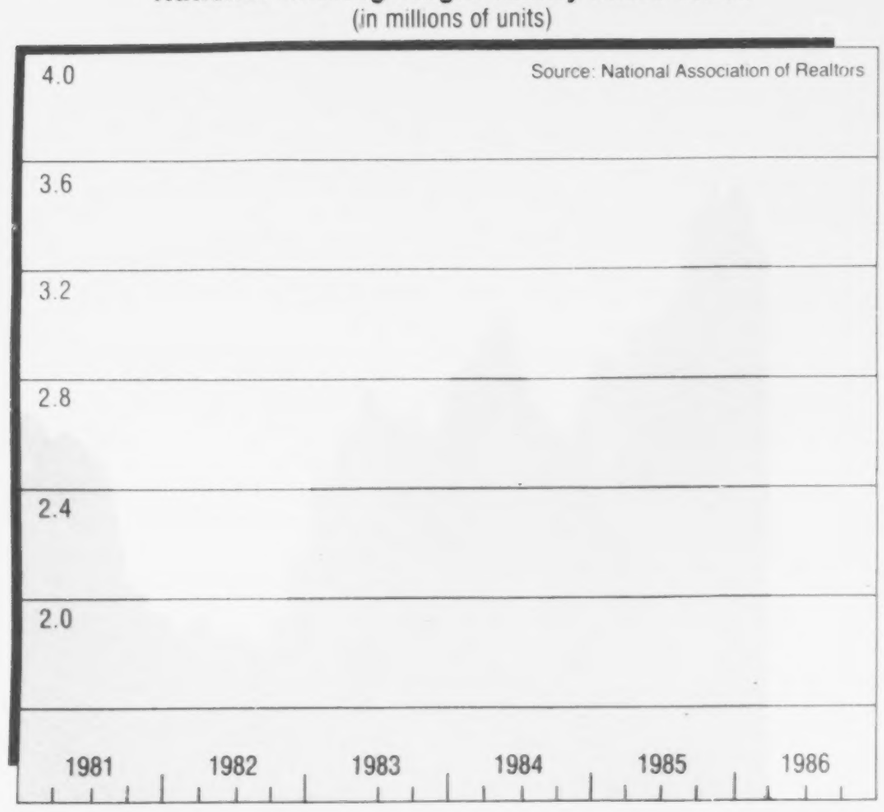
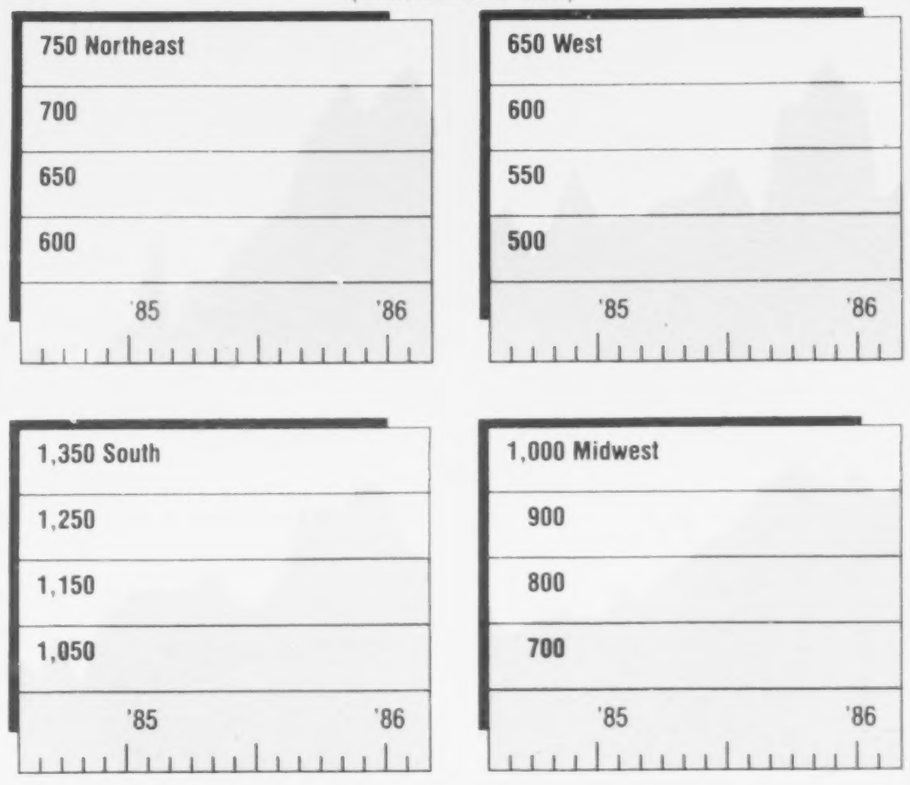
HOUSING WATCH

National existing single-family home sales
(in millions of units)



Regional existing single-family home sales
(in thousands of units)



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Feb. resale pace still above $3 M

By an NHCN staff editor

NATIONAL REPORT — The sale of existing single-family homes stayed fairly even with the January pace, dipping just .1%, to 3.27 million units, seasonally adjusted.

February marked the 12th consecutive month that the resale pace has been above the 3 million unit mark.

Home prices also rose during this recording period. The median-priced resale home cost $77,500 in February, $400 more than in January and 4.7% more than in February one year ago.

The stability in the resale market is associated with declining mortgage and interest rates and modest increases in home prices.

Despite the small dip in February's seasonally adjusted figures, the actual number of resales rose, from 213,000 in January to 217,000 in February, according to the association. The seasonal adjustor was too low to appreciably affect the seasonally adjusted numbers, the NAR explained.

The resale pace varied across the country in February. Both the Northeast and South experienced sales declines.

Home prices rose everywhere except in the South, which posted a $600 decline in the cost of a median-priced home, to $75,600.

Median sales price
(in thousands of dollars)

	Feb.[p]	Jan.[r]	Dec.	Nov.
U.S.	77.5	77.1	75.5	74.9
Northeast	99.5	97.8	93.7	89.2
South	75.6	76.2	74.1	75.0
Midwest	62.6	60.0	58.6	57.7
West	95.9	95.0	94.5	94.8

[p]-preliminary [r]-revised

Activity in the Northeast dropped 8.2% in February, to 670,000 units, seasonally adjusted. Despite the decline, the resale pace in this region is nearly 29% ahead of its February 1985 pace.

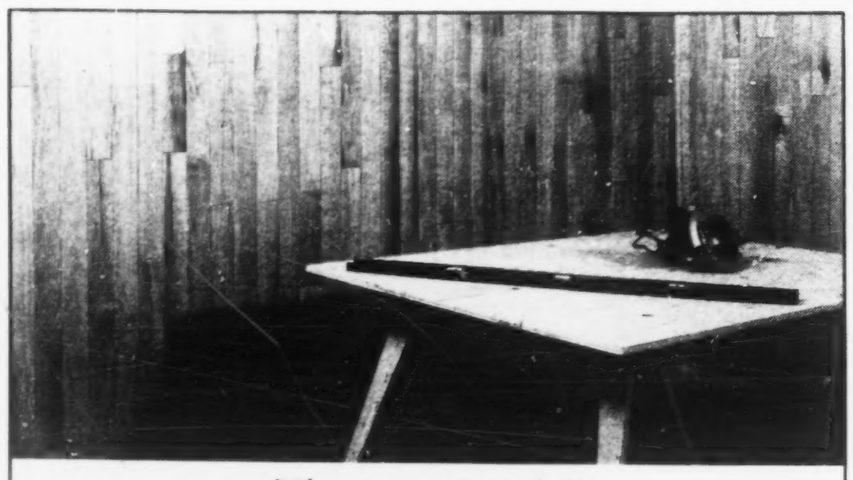
Home prices also rose in the Northeast in February, from $97,800 in January to $99,500, a 16.5% increase over the corresponding month a year earlier.

The resales decline in the South was small, less than 1%, according to the NAR. Resales activity fell to 1.15 million units, seasonally adjusted, from 1.16 million.

Activity was strong in the Midwest. Resales edged up 3.4% in February, to 920,000 units, seasonally adjusted. Home prices also rose 6.6%, from its February 1985 level, to $62,600, $2,600 more than in January.

The resale pace was nearly 2% stronger in the West in February, to 530,000 units, seasonally adjusted, than in January, from 520,000 units, the NAR reported.

Home prices in the West, also rose, $900 to $95,900, which was 4.2% higher than in February 1985.



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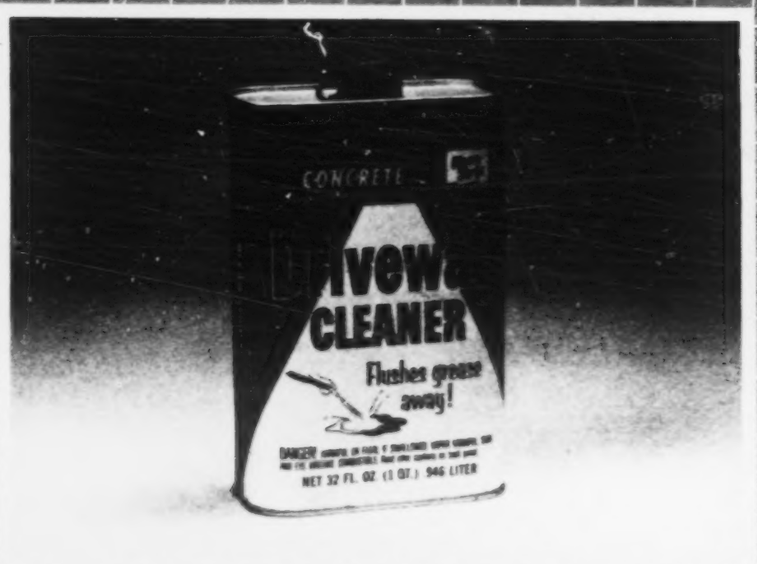

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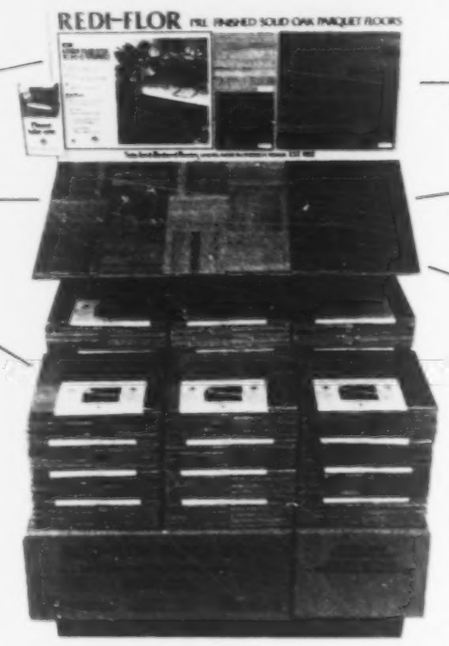
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LUMBER REPORT

Forest product prices soar; surpass highest levels of '85

(Continued from page 3)

Among these include the imminent expiration of major industry labor contracts which have stimulated brokers to buy before prices rise further; an unusual dip in the amount of Canadian-made panel products at border reloads and a shortage of available freight cars.

While figures to quantify the size of the Canadian import drop are hard to come by, sources familiar with Canadian production said the forest products producers there were taking advantage of currency devaluations to export more overseas and were concentrating more on their home market's increased demand.

Bill St. John, vice president of marketing for MacMillian-Bloedel, Canada's largest forest products producer, said while the company is looking forward to ship 65% of its production to the U.S. this year, the favorable currency relationships in the past month prodded the company and other Canadian producers to export more to Europe and Asia, thus accounting for the decline in reload border stations.

However, St. John and others insisted that the drop in supply to the U.S. was minimal, even though prices increased.

"With the change in exchange rates, there is more Canadian lumber going offshore, which means there is less available for the U.S., but it is not a big percentage," St. John said.

Although most industry observers believe the current upswing will not reach prerecession levels in the immediate future, nearly everyone agrees that the current escalation in prices is long overdue.

"Lumber prices have been at bargain prices for the past five years," said Fred Reseburg, economic director of the Western Wood Products Association (WWPA). "I hope this [the increases] lasts for the next three years.

"I think new price plateaus will be reached soon, hopefully a couple of steps ahead of where we have been and allow the companies to maintain a reasonable return on investment."

Despite the upward price movement, the current composite prices have quite a way to go before reaching the $260 per thousand square foot level that was reached in the spring of 1983, the first year of the recovery.

What's more, according to Al Goetzl, director of economics for the National Forest Products Association (NFPA), lumber prices would have to climb at least 30% to 40% before reaching price points attained in the late 70s.

Goetzl said the current upswing in prices is one of the most stimulating periods the industry has known in several years. But he warned that despite these positive signals, the industry is still in poor financial condition.

"Whether this trend is going to continue remains to be seen," Goetzl said. "It's my own view that the worst of the trough was reached probably last year in terms of lumber prices and they will probably head up in the next few months even more.

"But keep in mind, even at the price levels we are experiencing today, that prices are way below what they were several years ago. In real terms, even accounting for inflation, lumber is lower now than it was in 1977, 1978 or 1979, maybe as much as 30% to 40%."

Jon Anderson, editor of *Random Lengths*, said the price hike had begun to soften by the end of March, and he argued that the jump in lumber prices could be a short-lived phenomenon, partially precipitated by excessive futures speculation.

"When you get greater demand in the market on a short-term basis, it will trigger a price rise rather quickly," Anderson said. "Once prices start climbing, you get a lot of speculative activity out there.

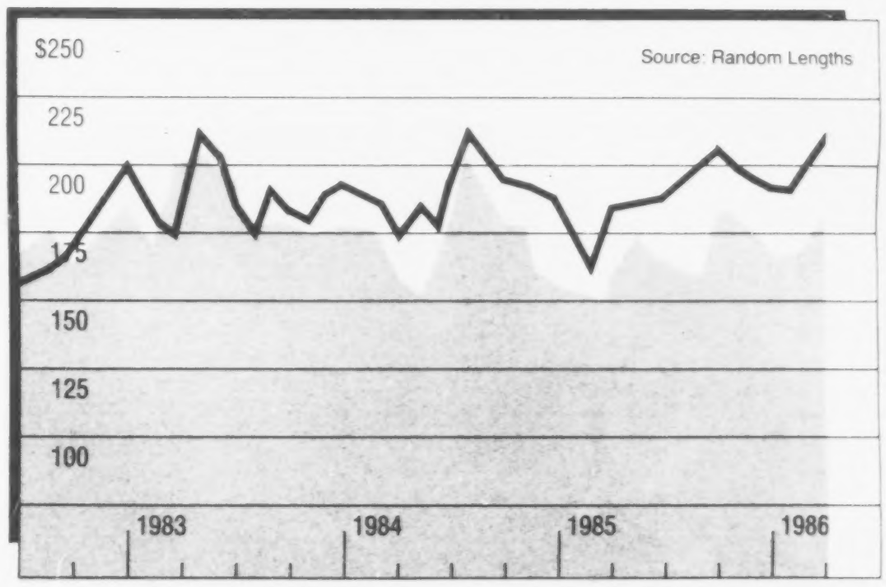
"So some guy that sees a price rise in a product he has to buy, but doesn't need until two months from now, may go into the market to protect himself against a huge price climb later. He probably figures it will cost him more if he didn't carry it in his inventory.

"Prices have not reached the highest point since the recession, but they are heading that way."

Bill Jacob, national waferwood sales manager for Louisiana-Pacific Corp. believes prices will firm about ten dollars ahead of current price levels within the next few weeks. But like other observers, Jacob believes the continued oversupply in the industry may haunt forest producers over the long run.

Commodity close-up

Western and Southern Plywood
Average monthly mill prices
(per thousand board feet)



Intense market activity has pushed plywood prices above the highest levels reached during all of 1985 and some industry observers believe price levels may not firm until the summer. The monthly average for Douglas fir ½-in. CD Ext. 4/5 ply jumped $23 in one month from $194 in February to $217 in March. Southern pine ½-in CD Ext. 3 ply rose from $171 in February to $181 in March.

Futures

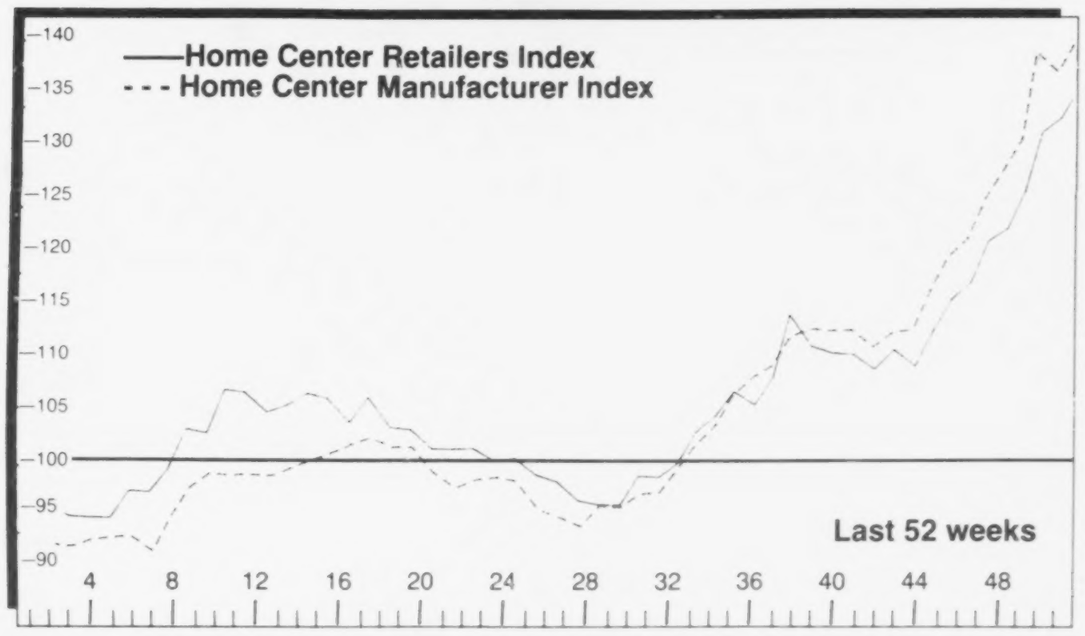
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended March 27, 1986

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
May '86	197.00	178.20	178.90	201.00	4,277	197.00	140.00
July	190.90	173.20	174.50	188.50	2,933	190.90	144.00
Sept.	182.00	166.60	168.50	183.80	1,320	182.40	145.50
Nov.	173.10	160.20	162.90	176.50	971	174.50	146.00
Jan. '87	175.00	163.30	166.50	168.80	122	175.00	150.00
Mar.	175.50	163.00	164.70	173.70	120	175.50	153.00
May	173.00	160.00	163.60	174.70	120	173.00	160.00

Total Volume (thru 3/26): 25,615 — **Previous Two Weeks: 32,583**
Total Open Interest (thru 3/26): 9,756 — **Previous Week: 9,482**
Cash Price: $198.94 — **Last week: $196.98** — **Year ago: $125.44**

CME—Chicago Mercantile Exchange
*Figures for Thursday, March 6.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

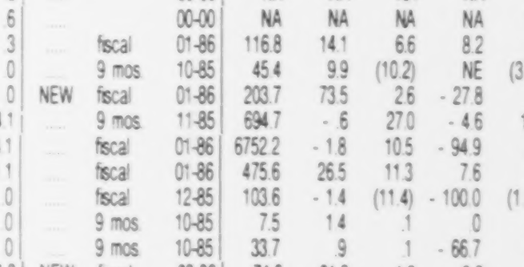


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
		(100)	%	%
Waxman Ind	M	2,185	291.6	4.1
Std Brd Pnt	N	6,281	288.1	- 4.3
Natl Gypsum	N	31,691	276.2	- .3
Supermkts Gen	N	6,435	266.3	- .7
Erb Lumber	M	186	220.0	- 1.6
Insilco Corp	N	8,389	209.4	2.3
Payless Cash	N	28,214	178.8	6.4
Black & Decker	N	45,599	170.5	- 12.5
K mart Cp	N	103,641	165.8	3.7
Forest City Ent	A	247	165.2	1.3

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Company & Market		2-Weeks Ended 4-4-86	2-Week Price Change	Total 2-Week Volume
Winners		$	%	(100)
Hechinger B	M	26.00	9.5	1,129
Clopay Corp	A	18.00	8.3	294
Homecrafters Whse	M	1.75	7.7	577
Payless Cash	N	23.00	6.4	28,214
Hechinger A	M	25.75	6.2	5,114
Manville Cp	N	7.75	5.1	12,688
Waxman Ind	M	16.00	4.1	2,185
K mart Cp	N	45.75	3.7	103,641
Wolohan Lumber	M	8.63	3.0	1,900
USG Corp	N	67.75	2.7	9,740
Losers		$	%	(100)
Pope & Talbot	N	20.50	- 13.7	1,059
Black & Decker	N	20.13	- 12.5	45,599
Wickes Cos	A	5.50	- 12.0	107,160
Natl Lumber	M	4.75	- 11.6	420
Ply-Gem	A	13.50	- 10.7	1,903
Walter, Jim	N	51.25	- 8.3	8,961
Home Depot	N	14.63	- 7.9	7,916
Lewis Palmer	M	9.13	- 7.6	766
Georgia-Pacifc	N	30.25	- 7.3	39,349
Thos Inds	N	23.88	- 7.3	1,076

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 4-04-86 $	2-Weeks Change Amt. $	2-Weeks Change Pct. %	2-Week Range High $	2-Week Range Low $	52-Week Range High $	52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	2-Weeks Shares Traded % Out %	12-Week Avg. Vol. As % Out %	Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report: New Report -	Period -	Date Ended -	Latest Quarter: Revenue Amt. $Mil	Revenue Chg. %	Net Income Amt. $Mil	Net Income Chg. %	E.P.S. Amt. $	E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Revenue Chg. %	Net Income Amt. $Mil	Net Income Chg. %	E.P.S. Amt. $	E.P.S. Chg. %
Retailers																													
Color Tile	M	21.50	- 1.50	- 6.5	23.50	21.50	23.50	15.25	3,994	4.25	3.41	24.6	14.6	.00	0		6 mos.	12-85	87.2	4.8	3.3	- 2.9	.34	- 8.1	182.2	14.8	6.6	6.5	.70	2.9
Erb Lumber	M	63.00	- 1.00	- 1.6	65.00	61.00	65.00	20.75	186	2.08	.65	220.0	9.2	.00	0	NEW	fiscal	12-85	47.9	33.8	1.8	125.0	2.01	105.1	190.2	29.0	6.1	110.3	6.88	110.4
Forest City Ent	A	29.38	.38	1.3	29.75	28.50	29.75	20.38	247	.61	.23	165.2	54.4	.30	1.0		9 mos.	10-85	72.8	14.3	.0	- 100.0	.00	- 100.0	200.0	5.7	3.6	20.0	.45	12.5
Grace W R	N	49.00	- 3.25	- 6.2	53.88	48.50	57.25	35.50	16,506	3.03	3.05	- .7	17.4	2.80	5.7		fiscal	12-85	2013.2	10.0	44.7	- 24.4	.86	- 29.5	7260.1	7.9	146.9	- 24.9	2.82	- 29.9
Handyman	A	28.50	- .13	- .4	28.88	28.38	29.88	21.75	231	.91	.58	56.9	NA	.15	.5			00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A	M	25.75	1.50	6.2	26.75	24.00	27.00	16.00	5,114	5.85	3.16	85.1	NA	.16	.6			00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	26.00	2.25	9.5	26.50	23.50	27.00	16.00	1,129	.84	.57	47.4	26.8	.08	.3		fiscal	01-86	116.8	14.1	6.6	8.2	.27	.0	479.0	18.2	23.1	10.5	.97	5.4
Homecrafters Whse	M	1.75	.13	7.7	2.13	1.63	8.75	1.00	577	2.04	1.94	5.2	NE	.00	0		9 mos.	10-85	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot	N	14.63	- 1.25	- 7.9	16.63	14.63	20.38	10.50	7,916	3.15	2.75	14.5	44.3	.00	0	NEW	fiscal	01-86	203.7	73.5	2.6	- 27.8	.11	- 21.4	700.7	61.9	8.2	- 41.8	.33	- 41.1
INTERCO Inc	N	76.00	- 2.75	- 3.5	79.75	76.00	79.75	61.13	2,806	1.98	1.04	90.4	14.8	3.08	4.1		9 mos.	11-85	694.7	- .6	27.0	- 4.6	1.71	216.7	1927.7	- 5.7	61.4	- 15.0	3.89	21.9
K mart Cp	N	45.75	1.63	3.7	46.50	42.50	46.50	30.63	103,641	8.24	3.10	165.8	26.4	1.40	3.1		fiscal	01-86	6752.2	- 1.8	10.5	- 94.9	.09	- 94.3	22420.0	6.3	221.2	- 55.7	1.73	- 54.9
Lowe's Cos	N	36.25	- 2.50	- 6.5	39.50	35.75	41.38	20.75	10,712	2.89	2.14	35.0	22.1	.40	1.1		fiscal	01-86	475.6	26.5	11.3	7.6	.31	6.9	2072.6	22.7	59.7	- 2.8	1.64	- 3.5
Mich General	A	4.38	- .13	- 2.8	4.75	4.00	6.88	3.25	1,447	1.28	1.64	- 22.0	NE	.00	.0		fiscal	12-85	103.6	- 1.4	(11.4)	- 100.0	(1.01)	- 100.0	439.0	- 2.3	(34.6)	- 100.0	(3.06)	- 100.0
Natl Hardgoods	M	7.38	.00	0	7.75	7.38	9.00	5.50	105	.85	.62	37.1	12.9	.00	0		9 mos.	10-85	7.5	1.4	.1	0	.09	NC	24.5	7.9	.4	.0	.32	- 8.6
Natl Lumber	M	4.75	- .63	- 11.6	5.00	4.25	7.25	4.00	420	.75	.64	17.2	23.8	.00	0		9 mos.	10-85	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak	N	15.00	- .88	- 5.5	15.88	15.00	16.00	11.63	2,438	2.44	1.57	55.4	18.3	.64	4.3	NEW	fiscal	02-86	74.6	21.3	1.3	8.3	.13	8.3	333.8	9.4	8.2	- 18.8	.82	- 18.8
Payless Cash	N	23.00	1.38	6.4	23.63	20.75	23.63	13.50	28,214	8.14	2.92	178.8	20.2	.16	.7		3 mos.	02-86	274.5	7.7	2.4	50.0	.07	40.0	274.5	7.7	2.4	50.0	.07	40.0
Scotty's Inc	N	15.75	- 1.00	- 6.0	17.50	15.50	17.63	12.38	2,179	1.51	.97	55.7	13.6	.52	3.3		6 mos.	12-85	120.6	10.0	2.8	- 22.2	.19	- 26.9	230.9	9.3	5.6	- 20.0	.39	- 25.0
Sears, Roebuck	N	46.50	.50	1.1	50.38	45.75	50.38	31.75	83,398	2.29	1.15	99.1	13.2	1.76	3.8		fiscal	12-85	12068.2	5.2	552.3	- 1.9	1.50	- 2.6	40715.3	3.9	1303.3	- 10.4	3.53	- 12.0
Svc Merchandise	M	14.00	- .13	- .9	15.00	14.00	16.13	11.25	16,155	4.85	3.88	25.0	43.8	.08	.6		fiscal	12-85	1105.5	51.4	29.1	- 17.1	.87	- 23.7	2526.5	52.5	10.7	- 76.0	.32	- 78.1
Std Brd Pnt	N	22.13	- 1.00	- 4.3	24.75	22.13	24.75	18.75	6,281	5.55	1.43	288.1	15.8	.56	2.5	NEW	fiscal	01-86	71.6	1.3	1.6	- 64.4	.14	- 65.0	338.0	7.3	15.8	- 24.0	1.40	- 25.1
Supermkts Gen	N	56.00	- .38	- .7	59.38	56.00	59.38	37.75	6,435	3.59	.98	266.3	15.7	.48	.9	NEW	fiscal	01-86	1356.3	1.5	21.6	- 2.3	1.21	- 3.2	5122.6	17.9	63.7	21.6	3.56	20.7
Wickes Cos	A	5.50	- .75	- 12.0	6.38	5.38	6.88	3.44	107,160	11.10	6.25	77.6	NA	.00	0			10-85	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber	M	8.63	.25	3.0	9.00	8.25	9.00	5.25	1,900	3.25	1.73	87.9	14.4	.16	1.9		fiscal	12-85	37.4	3.3	1.3	62.5	.22	57.1	150.7	8.3	3.5	34.6	.60	33.3
Zayre Corp	N	71.63	.75	1.1	74.50	70.88	74.50	40.31	8,272	2.82	1.61	75.2	22.2	.48	.7		fiscal	01-86	1499.0	47.1	37.9	9.2	1.14	- 11.6	4036.0	29.2	94.6	17.8	3.23	8.0
Wholesalers																													
Lewis Palmer	M	9.13	- .75	- 7.6	9.50	8.88	9.88	6.38	766	1.96	2.01	- 2.5	39.7	.28b	3.1		fiscal	01-86	30.6	- .3	.1	NE	.01	NE	141.0	- 2.4	.9	- 18.2	.23	- 23.3
Manufacturers																													
Allegheny Int	N	22.50	- 1.38	- 5.8	24.63	22.50	28.75	16.50	3,861	3.59	3.33	7.8	NE	.00	0		fiscal	12-85	537.5	- 7.4	(52.8)	NE	(5.61)	NE	2056.7	- 2.8	(109.1)	- 100.0	(13.08)	NE
Am Standard	N	42.75	- 2.25	- 5.0	46.63	42.50	46.88	26.75	12,212	3.11	1.77	75.7	13.8	1.60	3.7		fiscal	12-85	413.8	- 52.0	36.2	17.5	.92	17.9	2912.0	- 9.4	122.0	6.2	3.10	1.0
Armstrng Wrld	N	56.00	- 3.88	- 6.5	61.88	56.00	61.88	31.88	7,357	3.07	1.86	65.1	13.3	1.30	2.3		fiscal	12-85	426.0	11.4	22.6	20.2	.94	19.0	1679.2	7.0	100.9	9.4	4.20	10.8
Black & Decker	N	20.13	- 2.88	- 12.5	23.63	19.50	23.88	17.25	45,599	8.98	3.32	170.5	26.5	.64	3.2		3 mos.	12-85	521.7	3.7	20.9	- 27.9	.41	- 28.1	521.7	3.7	20.9	- 27.9	.41	- 28.1
Boise Cascade	N	54.50	- 4.25	- 7.2	59.88	54.50	59.88	37.63	13,497	4.99	2.50	99.6	15.8	1.90	3.5		fiscal	12-85	892.7	- 1.6	19.0	NE	.61	NE	3737.2	- 2.1	104.3	49.9	3.45	54.7
Certain-teed	N	33.38	- .50	- 1.5	34.13	32.38	34.13	22.25	4,758	2.51	1.32	90.2	12.2	.90	2.7		fiscal	12-85	261.7	- 4.4	10.4	- 25.2	.55	- 21.4	1109.7	- 6.7	53.4	22.8	2.73	25.8
Champ Intl	N	26.25	- 1.50	- 5.4	29.38	26.25	29.75	20.00	23,871	2.57	2.14	20.1	16.5	.52	2.0		fiscal	12-85	1194.7	- 29.3	38.1	NE	.37	NE	5769.8	12.7	163.1	NE	1.59	NE
Clopay Corp	A	18.00	1.38	8.3	19.13	16.50	22.00	11.25	294	1.90	.78	143.6	NE	.16	.9		fiscal	12-85	35.5	- 2.5	(.2)	- 100.0	(.14)	- 100.0	139.2	3.9	(1.9)	- 100.0	(1.24)	- 100.0
DeSoto Inc	N	40.00	- .25	- .6	40.63	39.75	40.63	31.50	358	.75	.48	56.3	13.5	1.40	3.5		fiscal	12-85	75.5	- 3.6	2.9	- 19.4	.60	- 15.5	405.6	- .4	14.2	- 27.6	2.97	- 16.6
Emhart Corp	N	40.13	- .13	- .3	42.63	39.50	42.63	26.25	2,979	1.08	.87	24.1	13.8	1.40	3.5		fiscal	12-85	484.4	8.1	23.6	- 7.8	.87	26.1	1775.0	- 1.1	80.0	- 11.5	2.90	- 11.3
Georgia-Pacifc	N	30.25	- 2.38	- 7.3	33.25	30.25	33.50	20.50	39,349	3.81	1.94	96.4	19.6	.80	2.6	NEW	fiscal	12-85	1590.0	- 10.0	3.0	NE	(.02)	NE	6716.0	.5	177.0	NE	1.54	58.8
Insilco Corp	N	22.25	.50	2.3	24.50	21.13	24.50	16.63	8,389	4.27	1.38	209.4	16.2	1.00b	4.5		fiscal	12-85	174.7	- 3.4	3.6	- 50.7	.17	- 57.5	811.8	3.2	26.1	- 20.9	1.37	- 24.7
La Pacific	N	27.13	- 1.25	- 4.4	30.13	26.88	30.13	17.13	12,010	3.29	1.57	109.6	38.8	.80b	2.9		fiscal	12-85	312.6	10.2	6.8	- 67.6	.19	- 69.4	1260.9	2.5	25.5	- 39.6	.70	- 41.2
MacMlln Bldel	N	20.63	- .38	- 1.8	21.50	20.00	21.50	12.47	484	.16	.08	100.0	38.2	.00a	0		fiscal	12-85	601.7	4.0	20.4	- 15.0	.44	- 21.4	2335.4	9.8	42.9	122.3	.54	NE
Manville Cp	N	7.75	.38	5.1	8.50	7.50	8.88	5.13	12,688	5.29	4.22	25.4	NE	.00	0		fiscal	12-85	536.4	17.5	20.9	14.8	.61	22.0	1941.8	7.0	(45.1)	- 100.0	(2.92)	- 100.0
Masco Corp	N	54.75	- 1.75	- 3.1	60.50	54.63	60.50	28.50	13,775	2.14	1.15	86.1	21.4	.64	1.2		fiscal	12-85	704.9	228.3	141.3	551.2	1.42	330.3	1154.0	13.2	164.5	41.9	2.56	28.0
Mor-Flo Inds	M	18.50	- .38	- 2.0	19.25	18.50	19.75	14.50	386	1.52	.93	63.4	11.2	.01	1		fiscal	12-85	53.2	.0	.5	- 72.2	.20	- 70.1	206.2	2.9	4.2	- 36.4	1.65	- 36.3
Natl Gypsum	N	49.38	- .13	- .3	49.88	49.38	49.88	25.09	31,691	13.88	3.69	276.2	9.8	1.52	3.1		fiscal	12-85	62.6	- 85.4	19.5	- 22.6	.86	- 20.4	1340.0	- 22.0	116.1	8.7	5.02	9.6
Newell Co	N	30.00	.38	1.3	31.00	28.50	31.00	15.13	3,504	4.07	1.84	121.2	14.4	.70	2.3	NEW	fiscal	12-85	96.6	7.6	5.5	31.0	.61	32.6	350.0	13.5	18.9	33.1	2.09	29.0
Owens Corning	N	51.00	- 1.25	- 2.4	56.75	50.50	56.75	30.75	10,734	3.60	2.57	40.1	11.5	1.40	2.7		fiscal	12-85	966.6	27.9	44.1	31.3	1.48	29.8	3305.0	9.4	131.2	15.2	4.42	14.2
Ply-Gem	A	13.50	- 1.63	- 10.7	15.50	13.25	15.50	8.84	1,903	2.59	2.38	8.8	20.5	.12	.9		fiscal	12-85	43.5	15.7	1.1	- 15.4	.15	- 31.8	166.5	3.5	4.2	- 6.7	.66	- 18.5
Pope & Talbot	N	20.50	- 3.25	- 13.7	23.88	20.38	24.75	16.75	1,059	1.77	1.31	35.1	18.5	.80	3.9	NEW	fiscal	12-85	74.9	- 5.1	.6	NE	.10	NE	325.2	1.6	6.7	NE	1.11	NE
Potlatch Cp	N	41.88	- .38	- .9	44.88	41.13	44.88	31.75	2,532	1.95	.84	132.1	19.1	1.56	3.7		fiscal	12-85	227.4	- 3.7	4.4	- 56.0	.26	- 55.2	950.3	- 4.4	37.7	- 24.0	2.19	- 21.8
Sherwin-Wms	N	28.38	- .38	- 1.3	29.00	27.31	29.38	15.75	8,785	1.91	.94	103.2	17.5	.50	1.8		fiscal	12-85	517.4	3.2	11.3	24.2	.24	20.0	2194.9	5.8	74.6	14.8	1.62	14.1
SW Forest Ind	N	14.50	- 1.13	- 7.2	15.88	14.50	15.88	9.88	3,276	3.53	2.55	38.4	NE	.00	0		fiscal	12-85	169.2	- 10.9	(5.0)	- 100.0	(.42)	NE	700.1	- 9.9	(12.3)	- 100.0	(1.67)	- 100.0
Stanley Works	N	43.75	1.00	2.3	46.25	42.00	46.25	26.50	5,434	1.89	1.25	51.2	15.4	1.04	2.4		fiscal	12-85	322.4	5.4	25.7	14.7	.93	14.8	1208.3	4.3	78.3	8.1	2.85	9.6
Thos Inds	N	23.88	- 1.88	- 7.3	26.75	23.63	26.75	14.41	1,076	.80	.35	128.6	19.7	.68b	2.8		fiscal	12-85	77.6	6	4.2	7.7	.31	3.3	309.5	6.1	16.2	1.9	1.21	1.7
Triangle Pac	N	53.25	.13	.2	53.38	53.25	53.38	26.00	951	2.52	2.84	- 11.3	13.9	1.00	1.9		fiscal	12-85	65.7	4.1	3.6	24.1	.92	29.6	263.9	- 2.5	15.2	11.8	3.82	15.8
USG Corp	N	67.75	1.75	2.7	73.25	66.25	73.25	30.75	9,740	2.92	1.64	78.0	10.1	1.92	2.8		fiscal	12-85	635.2	4.0	53.9	30.5	1.63	31.5	2526.5	9.0	223.8	19.9	6.71	19.0
Walter, Jim	N	51.25	- 4.63	- 8.3	58.50	51.25	60.00	31.00	8,961	4.23	2.52	67.9	10.3	1.40	2.7	NEW	6 mos.	02-86	517.0	- 1.8	18.3	22.0	.33	- 52.2	1079.1	- .5	50.0	18.8	1.78	- 7.8
Waxman Ind	M	16.00	.63	4.1	16.50	15.75	16.88	9.25	2,185	6.97	1.78	291.6	29.6	.08	.5		6 mos.	12-85	23.3	14.2	.5	.0	.17	- 43.3	44.8	9.5	1.1	- 8.3	.35	- 50.0
Weyerhaeuser	N	36.00	- .63	- 1.7	38.63	35.75	38.75	24.75	25,200	1.94	1.37	41.6	27.3	1.30	3.6		fiscal	12-85	1238.0	- 12.1	63.6	132.1	43	168.8	5205.6	- 6.2	200.1	- 11.5	1.32	- 13.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P.E Ratio—Price earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219.

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The *NHCN* Top 10 for 1985

Chain	Total Sales (mil. $)	% Change 84-85	% Change 83-84
1. Lowe's	$2,072	+23	+18
2. W. R. Grace	1,394	+ 6	+17
3. Payless Cashways	1,390	+18	+17
4. Wickes Cos.	1,152	+ 9	+20
5. Evans Products	980	- 8	+17
6. The Home Depot	701	+62	+69
7. 84 Lumber	652	-13	+19
8. Sutherland	578	+10	+23
9. Hechinger	479	+18	+31
10. Scotty's	473	+ 8	+10
TOTAL TOP 10	9,871	+11	+20

Source: NHCN Top 150—Total Sales NHCN chart

Revenues grew 11% for the top 10 home center chains in 1985, reflecting a slowdown from the 20% increase of the previous year.

Top 10 chains in industry post 11% sales gain in '85

By an NHCN staff editor

NATIONAL REPORT — For the home center industry's major players, 1985 was tougher than the previous year. Revenues of $9.9 billion posted by the top 10 chains represented gains of only 11%, a considerable drop from their collective 20% increase in 1984.

That's one of the key findings from the *NHCN* annual survey of the home center industry, which this year has been expanded from 100 to 150 firms. Results begin on page 21 of this issue.

The survey also showed that:

• Of the top 10 players, only Lowe's and Payless Cashways were able to post revenue gains at rates higher

(Continued on page 106)

Wickes buys 9-unit Kindt; ups National Gypsum bid

By Gary S. Ruderman
NHCN staff editor

CHICAGO — Wickes Lumber has purchased nine-store Kindt Corporation of Lomira, Wis., and is expected to soon change the name to Wickes.

Exactly two years after The Edward Hines Lumber Company of Chicago bought the then seven-unit Kindt Home Improvement chain for a reported $8 million in 1984, Hines sold the Wisconsin chain to Wickes Lumber, Vernon Hills, Ill., for an undisclosed cash sum.

The Kindt chain grew to nine stores after it acquired two Schuette Building Centers in Wausau and Minocqua, Wis., in 1984.

Separately, on April 19, Wickes raised its offer for the outstanding shares of National Gypsum to $64 per share. The offer's success is contingent on the failure of the management of National Gypsum to line up $1.6 billion for their proposed LBO.

Formerly, on April 8, Wickes had made a $54 per share tender offer for the 22.75 million outstanding shares of National Gypsum.

A successful acquisition of National Gypsum, with 1985 profits of $87.6 million on sales of $1.3 billion, would transform Wickes into a major building products company.

National Gypsum's three core businesses are Gold Bond

(Continued on page 99)

Evans rejects compromise plan for Chapter 11 reorganization

Posner aims to protect interests

By John Caulfield
NHCN staff editor

MIAMI — The merry-go-round that is the Evans Products bankruptcy continues to spin, as Evans' board of directors rejected a compromise proposal for a consensual plan of reorganization that would have remunerated the company's shareholders, and quite possibly accelerated the company's emergence from Chapter 11.

Meeting for one of the few times since Evans was taken over by its chairman, Victor Posner, the company's board voted against accepting the compromise on April 21.

"After carefully reviewing the proposal, the board concluded that what the banks are offering is still inadequate for the company, the trade and its shareholders," explained Jack Coppersmith, acting president of Evans Retail. He said that it was Evans' intention to press forward its own plan for reorganization.

However, another Evans insider, who asked not to be named, said that he was "as surprised as anyone" by the board's decision.

A number of sources who have been involved in this

(Continued on page 106)

Remodelers optimistic on outlook for '86

By Laura Liebeck
NHCN staff editor

ORLANDO — Professional remodelers throughout the country are excited about 1986. Business promises to be very good, even excellent, some say.

This was the sentiment expressed during last month's 44th Annual Convention of the National Association of the Remodeling Industry (NARI) held here at the city's Orange County Convention/Civic Center April 3 to 5.

In fact, forecasts that the

(Continued on page 106)

Although Pergament's newest store marks the end of 40,000-sq.-ft. units for the chain, it showcases several new merchandising ideas that will be integrated into units that will be 70,000 sq. ft. or larger. NHCN photo

Pergament paves way for larger units

By Elizabeth Brent
NHCN staff editor

MELVILLE, N.Y. — The unveiling of Pergament's 44th store in Riverhead, N.Y., on eastern Long Island, April 9 marked the end of an era.

Pergament officials indicated that the 40,000-sq.-ft. warehouse store would be the last of the line, and in future the company would be opening units of 70,000 sq. ft. or larger. Yet Riverhead also showcased new merchandising ideas to be used in future stores.

The company plans to open at least five 70,000-sq.-ft. units in 1986, according to Harvey Ellner, vp/mgr, real estate and energy. All stores will be built as part of retail malls on sites owned by Pergament.

The first prototype will open in Peekskill, N.Y.,

(Continued on page 106)

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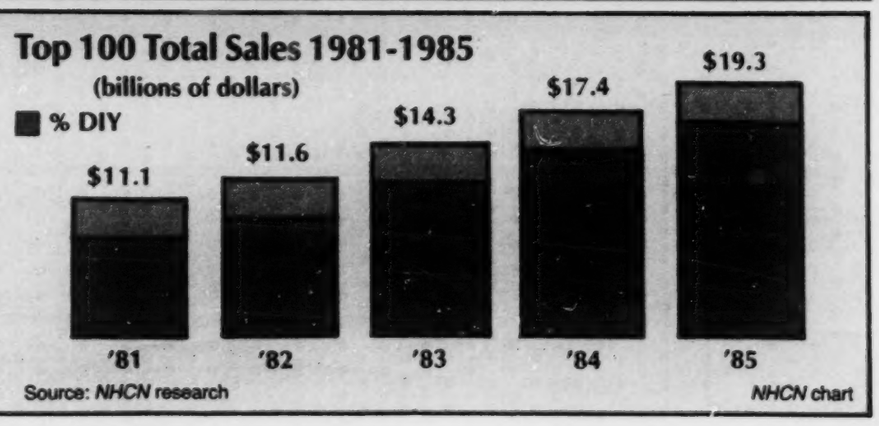

Newsbreaks

B&D OFFICIAL KILLED: Kenneth Marston, 43, general manager of Black & Decker, France, was fatally shot by an unidentified assailant outside his home in Lyon at around 7:45 A.M. on April 25. No motive was given for the shooting, though unconfirmed reports quote "a small Arab group" as claiming responsibility.

COONEY ANNOUNCES RETIREMENT: Ray Cooney, 63, will retire as vice chairman of Scotty's effective July 3. He has been with the 125-unit chain for 18 years, and is expected to retain his board seat.

Industry Update

Grossman's opens expanded unit

DE WITT, N. Y. — Grossman's held a grand opening April 13 for its first expanded store since its parent company Evans Products entered Chapter 11 proceedings last year. Its unit in De Witt, a suburb south east of Syracuse, N.Y., was roughly doubled in size to 32,000 square feet. New seasonal and decorative departmnets were also added.

Riggs opens Jonesboro, Ark., unit

KENNETT, Mo. — Riggs Supply, headquartered here, is in an expansion mode. The seven-unit home improvement retailer recently opened a unit in Jonesboro, Ark., home of Arkansas State University, and is currently evaluating the merits of three other sites, in Western Tennessee and in Arkansas, according to Dolph Riggs, secretary and treasurer.

The newest Riggs site is located 70 miles south of Kennett in a 30,000-sq.-ft. building formerly occupied by Wickes. It was vacant for three years before the Kennett, Mo.-based retailer acquired it, Riggs said.

Because the store is smaller than most Riggs units, it will be expanded. In fact, Riggs said the site will be expanded to about 50,000 sq. ft. within the next year or so to be comparable with the company's other units.

Lowe's files for new offering

NORTH WILKESBORO, N.C. — Lowe's, the $2.1 billion home center chain, filed a registration statement with the SEC on April 11 for the proposed offering of 2,000,000 shares of its common stock. The company said that the proceeds from the stock will be used to finance the cost of land, buildings and equipment for new and existing stores and to fund working capital requirements.

The stock offering clearly comes at a good time for the chain of 288 retail stores. Lowe's stock recently hit an all-time high of 41-3/8, and has been trading near that level for the past several weeks. If the stock is offered at its recently-traded price of $38, Lowe's will be able to add $76 million to its stockholders' equity.

Most recently, Lowe's reported that its net earnings for 1984 had declined by 3%, to $59.7 million. (*NHCN*, March 24).

Industry stocks pick up steam

NEW YORK — Home center industry stocks picked up steam again during the two-week period ended April 18, as gainers outpaced losers, 46 to 8.

Home Depot led the retail stocks with a 22.2% price gain to close the period at $17.88. Payless Cashways was up 13.6% to $26.13. Wickes Cos. had the same percentage price gain as Payless, closing April 18th at $6.25.

National Hardgoods was down 8.5% to $6.75. Its price was probably affected by the prospect of negative fourth quarter earnings due to a substantial write-off as the company closed leased departments to concentrate on its hardware units.

See financial tables, page 104

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.).

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Vol. 12, No. 10 May 5, 1986

HomeClub's Shanklin resigns post as cfo of warehouse chain

By Brad Altman
NHCN staff editor

FULLERTON, Calif. — A Zayre Corp. finance executive has joined HomeClub and John M. Shanklin, executive vp and chief financial officer of the warehouse chain, is resigning effective May 3, company officials said.

Murray Wachtenheim, 38, has been named to the newly created post of senior vp-finance & information systems at 18-unit HomeClub. He most recently was senior vp at the Zayre-owned, 428-unit Hit or Miss off-price apparel chain.

A company official said Wachtenheim will handle the duties formerly assigned to Rudolph L. Hirsch, 57, who was executive vp, chief administrative officer and secretary until his death this past March.

Shanklin, 45, joined HomeClub in October 1983, two weeks before the company opened its first warehouses, in Norwalk and Fountain Valley, Calif.

Zayre Corp., Framingham, Mass., bought HomeClub in a merger completed this past January.

Shanklin said that he will not severe all ties with HomeClub and that he will be "on contract in a consulting capacity." He said he decided to quit his post in part because he did not want to work for a division of a larger company.

Shanklin, whose stock ownership in HomeClub was worth about $2.5 million following the Zayre buyout, said he had "no other plans at this time."

Before joining HomeClub, Shanklin was cfo and treasurer of C.R. Anthony Co., an Oklahoma-based general merchandiser. He also was senior vp and controller of FedMart, the San Diego-based discount chain, from 1975 to 1982.

Hirsch, who had full administrative and financial responsibilities including personnel development and systems, legal, banking and treasury functions, died of a heart attack at his Phoenix home.

Buyers on the floor of K&B show search out new high-fashion items

By an NHCN staff editor

PHILADELPHIA — For home center buyers pushing their way through the aisles of the National Kitchen and Bath Show in this city's convention center April 6 to 9, the question of the day was clear: How can building materials retailers satisfy consumer demands for more elegant kitchen and bath merchandise, without taking on specialty store-type lines that are so high fashion they don't move out of the store?

The question is even more critical today than it was a year ago, because more competing home centers have remodeled their kitchen and bath departments to pursue a consumer anxious to remodel those rooms.

Indeed, if anyone expected that the American consumer's mad desire to remodel kitchen and bath would begin to level off after the big boom last year, visiting the latest NKBA show laid such thoughts to rest. In many instances it was difficult to pass through the aisles at the show, and in some cases it was nearly impossible to enter the booths of kitchen cabinet vendors.

William Plotkin, president of Fairfield Lumber & Supply, Mass., has seen a strong trend toward higher-priced designs in the kitchen and bath category. NHCN photo

The final attendance numbers from the KKBA tell the tale. A total of 28,473 people attended this year's show, up by 42% over the attendance level of the previous year.

"I'm looking for the expensive look at a moderate price," said Michael Salamon, bath buyer for Pergament, the $200 million chain of home centers based in Melville, N.Y. "We're upgrading our kitchen and bath departments, in terms of the quality and the numbers of lines we carry."

As an example of the practical results achievebale from the showroom upgrading, Salamon noted that a customer may see a $40 bathroom cabinet, but will also see a more expensive, better looking variety displayed nearby. "He says to himself, 'maybe I'll spend $79.99 and get the cabinet of my dreams,'" noted Salamon.

Salamon's comments were typical of other home center operators at the show. William Plotkin, president of Fairfield Lumber & Supply, in Fairfield, Mass., noted that while traditional stylings made up close to 70% of the offerings in his stores, he was seeing a continuation of the trend toward higher priced designs. He was attending the show to spot new items prior to the opening of his company's second showroom in the Fairfield market this July.

(Continued on page 106)

Supply One breaks ground for fall opening of new build-to-suit outlet

By an NHCN staff editor

PORTLAND, Ore. — Supply One, a two-year-old warehouse home center chain with units in Reno and Sparks, Nev., has broken ground near here for a 100,000-sq.-ft. build-to-suit outlet scheduled to open this fall, company officials said.

Jay Steiner, Supply One's president and founder, said the new unit, located on Tualtin Valley Highway about four miles east of Hillsboro, a Portland suburb, will contain 26,000 sku's. The seven-acre site is situated in a new industrial park and will have an outside lumberyard.

In a related development, Supply One has named Tony Orlandini district manager. Orlandini formerly was manager of Lumbermen's store in Clackamas, Ore.

Supply One, headquartered in the Sacramento suburb of Rancho Cordova, Calif., opened its first two northern Nevada units—each approximately 30,000-sq.-ft.—in August 1984. The company is owned by the Steiner & Levi family partnership, which sold its highly successful seven-unit Lumberjack home center chain to Kansas City-based Payless Cashways in 1983.

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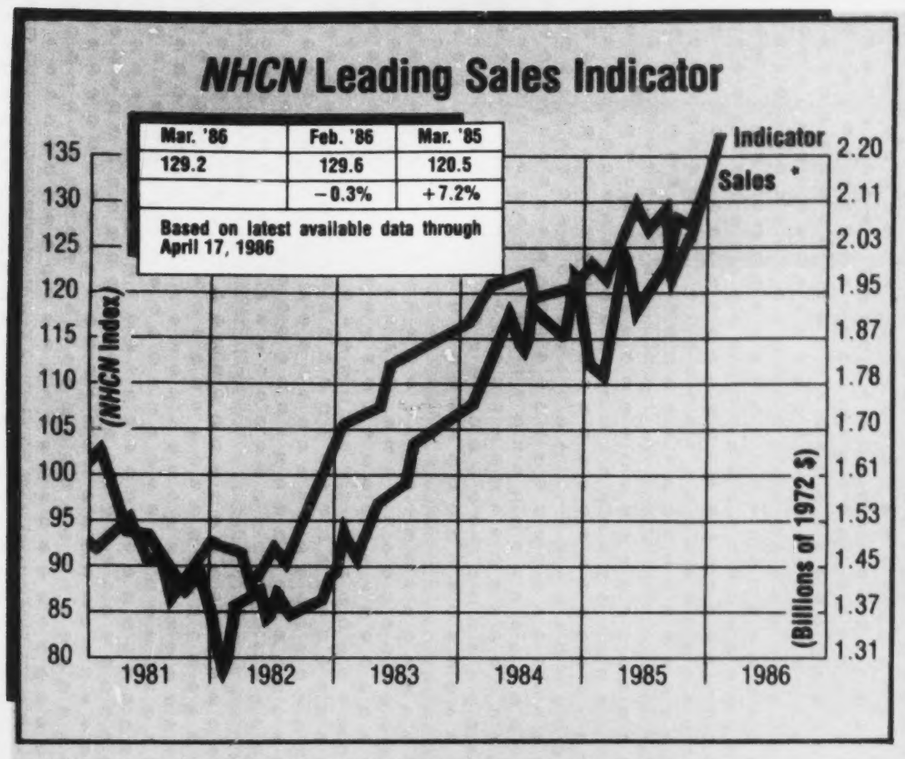
BUSINESS WATCH



*—Monthly retail trade building materials and supplies in 1972$.

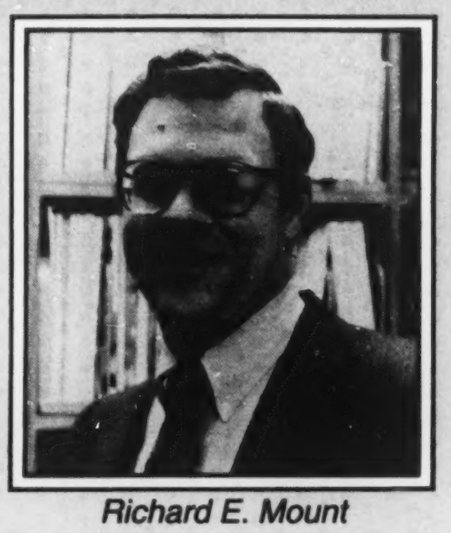
Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

South Atlantic states to post 8% gain in building material sales for 1986

By Richard E. Mount
Special to NHCN

Building materials sales in the South Atlantic states will rise 8% this year, 6% after adjusting for inflation. North Carolina and Maryland will show the largest percentage gains, and all states in the region will advance.

In 1985, the real volume of building material sales in the region rose 7% while the nation increased 5%. The strength in the South Atlantic economy came from tourism, defense spending, light manufacturing and high technology. On the negative side, coal mining and textiles were weak. The region extends from Delaware to Florida and the diveristy of industry



Richard E. Mount

state-to-state is significant.

For 1986, the gain in regional sales will be 8% while the nation increases 10%. The manufacturing sector will see output rise from stronger capital and defense spending. Rising consumer incomes will raise the demand for durable goods. The decline in the dollar will increase the price-competitiveness of the U.S. agricultural products, manufactured goods and coal production in domestic and foreign markets.

High-technology research and production will remain strong. On the negative side, the business recovery in major states has matured and future gains will not be as strong.

Strongest growth states

South Atlantic building material sales, in 1986, will rise fastest in North Carolina,

(Continued on page 5)

Home Center Industry Regional Outlook

		1985 1Q	1985 2Q	1985 3Q	1985 4Q	1986 1Q^p	1986 2Q^p	1986 3Q^p	1986 4Q^p	1984	1985	1986^p
***NHCN* Leading Sales Indicator** (January 1980 = 100)		120.2	124.3	125.2	123.5	128.8	130.1	129.7	129.4	117.8	123.3	129.5
Building Material Retail Sales												
Current	Total U.S. ($ millions) SAAR	50,976	53,512	53,736	56,976	57,069	58,330	59,296	60,217	49,774	53,534	58,728
	New England	2,536	2,902	3,238	3,477	3,595	3,651	3,694	3,709	2,743	3,038	3,663
	Middle Atlantic	6,241	7,119	7,408	8,306	7,950	8,160	8,230	8,334	6,373	7,269	8,169
	East North Central	7,296	8,575	8,603	9,048	9,051	9,239	9,422	9,617	7,935	8,381	9,332
	West North Central	3,286	3,860	3,841	4,000	4,006	4,066	4,121	4,161	3,720	3,747	4,088
	South Atlantic	11,203	11,139	10,868	11,837	11,756	12,092	12,322	12,549	10,234	11,262	12,180
	East South Central	2,706	2,912	3,056	3,182	3,293	3,412	3,504	3,607	2,723	2,964	3,454
	West South Central	6,257	6,240	5,822	6,041	5,753	5,833	5,870	5,853	6,089	6,090	5,827
	Mountain	2,705	2,606	2,620	2,763	2,751	2,829	2,900	2,957	2,617	2,674	2,859
	Pacific	8,746	8,158	8,281	8,322	8,914	9,047	9,232	9,430	7,340	8,377	9,156
Constant	Total U.S. (1972 $ millions) SAAR	22,508	23,705	23,907	25,279	25,070	25,370	25,535	25,675	22,623	23,651	25,413
	New England	1,120	1,286	1,441	1,543	1,579	1,588	1,591	1,582	1,247	1,347	1,585
	Middle Atlantic	2,756	3,154	3,296	3,685	3,492	3,549	3,544	3,553	2,896	3,223	3,535
	East North Central	3,221	3,799	3,827	4,014	3,976	4,019	4,058	4,100	3,606	3,715	4,038
	West North Central	1,451	1,710	1,709	1,775	1,760	1,768	1,775	1,774	1,691	1,661	1,769
	South Atlantic	4,947	4,934	4,835	5,252	5,164	5,259	5,306	5,351	4,652	4,992	5,270
	East South Central	1,195	1,290	1,360	1,412	1,447	1,484	1,509	1,538	1,238	1,314	1,494
	West South Central	2,763	2,764	2,590	2,680	2,527	2,537	2,528	2,496	2,769	2,699	2,522
	Mountain	1,194	1,154	1,166	1,226	1,208	1,230	1,249	1,261	1,189	1,185	1,237
	Pacific	3,862	3,614	3,684	3,692	3,916	3,935	3,976	4,021	3,336	3,713	3,962
Per Cent of U.S. Total												
Current	Total U.S. ($ millions) SAAR	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	4.97	5.42	6.03	6.21	6.30	6.26	6.23	6.16	5.51	5.70	6.24
	Middle Atlantic	12.24	13.30	13.79	13.86	13.93	13.99	13.88	13.84	12.80	13.63	13.91
	East North Central	14.31	16.02	16.01	15.88	15.86	15.84	15.89	15.97	15.94	15.71	15.89
	West North Central	6.45	7.21	7.15	7.08	7.02	6.97	6.95	6.91	7.47	7.02	6.96
	South Atlantic	21.98	20.82	20.22	20.43	20.60	20.73	20.78	20.84	20.56	21.11	20.74
	East South Central	5.31	5.44	5.69	5.77	5.77	5.85	5.91	5.99	5.47	5.56	5.88
	West South Central	12.27	11.66	10.83	10.54	10.08	10.00	9.90	9.72	12.24	11.41	9.92
	Mountain	5.31	4.87	4.88	4.83	4.82	4.85	4.89	4.91	5.26	5.01	4.87
	Pacific	17.16	15.25	15.41	15.40	15.62	15.51	15.57	15.66	14.75	15.70	15.59
Industrial Production												
Index (1977 = 100)	Brick	86.6	87.5	91.3	88.7	91.7	92.6	92.4	91.8	83.1	88.5	92.1
	Cement	105.9	110.0	106.5	99.8	103.7	106.9	106.4	106.1	102.1	105.7	105.8
	Gypsum Mallboard	116.0	127.7	129.6	132.4	132.8	133.7	130.8	127.8	119.2	126.4	131.3
	Hardware	102.2	102.7	99.2	99.4	102.6	103.6	104.6	105.3	100.6	100.9	104.0
	Lumber Products	118.1	121.8	126.1	125.7	127.3	128.2	126.9	125.8	119.0	122.9	127.1
	Paint	102.5	106.0	98.2	100.2	103.2	104.7	105.9	107.1	102.6	101.9	105.2
	Plywood	130.7	137.1	144.3	142.9	145.2	145.2	144.8	141.1	129.5	138.7	144.1

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
April 17, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

North Carolina & Maryland shine in '86 sales forecast for South Atlantic region

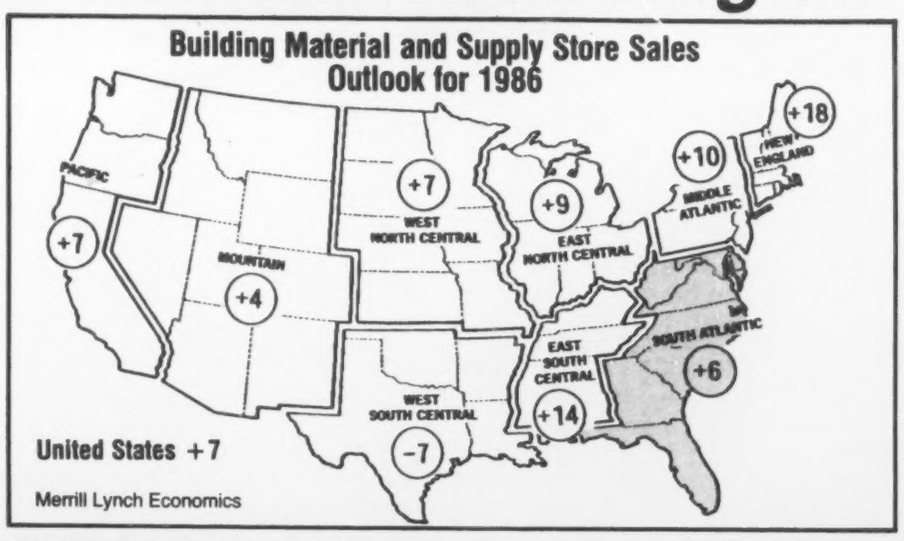
(Continued from page 4)

Maryland and Delaware. These states had strong gains in housing starts, resales and employment during 1985.

North Carolina's building material sales will increase 9% in real volume. The state has a growing high-technology sector and a historic concentration in furniture. The rise in national income and strength in housing this year will increase furniture demand.

Maryland's building material sales will gain 8% in unit volume. The state contiues to enjoy the population spillover from Washington, D.C., a growing high-technology and communications region, capital goods manufacturing, and poultry farming. In 1985 resales rose 21%, starts 11% and employment 3.5%. The economic recovery in Maryland began in 1985 and it is undergoing the surge in output that occurs at the start of an expansion.

Building material sales in Delaware, during 1986, will advance 7% after adjustmnet for inflation. The states has large sectors of white-collar employment, chemical production and poultry. In 1985 reslaes rose 23%, starts 7% and employment 2.9%



Of the South Atlantic states, North Carolina and Maryland will this year show the largest percentage gains in building materials sales, but all states in the region will advance. West Virginia will show the weakest improvement.

Moderate Growth States

Building material sales in Virginia, Florida and Georgia will rise 7% to 9% in dollar volume this year, 5% to 7% in unit terms. These states have large and diverse economies, and they have passed the burst of activity that accompanies this early stage of an economic expansion.

Virginia's building material sales will increase 6% to 7% in real volume this year. It has large government, tourist and light manufacturing sectors. In 1985, resales and starts rose 9%, and employment increased 4.4%. The jump in employment makes the outlook for additions and major repairs in Virginia more favorable than in Florida or Georgia.

Building matreial sales in Florida, after adjustment for inflation, will rise 6% in 1986. The state has a large tourist and agricultural base, and growing defense, computer and communications sectors. Last year resales rose 10%, starts were unchanged and employment increased 4.4%. The overbuilding in the southern part of the state still exists and limits the outlook for building material sales.

Georgia's building material sales will increase 5% in unit volume this year. The traditional cotton and textile industries have been hurt by imports but the declining will make the state more competitive in 1986. The finance sector continues to grow. In 1985, resales were up 8%, starts 7% and employment 3.3%

Slow Growth States

South Carolina and West Virginia will be the slowest growing states in the South Atlantic region for building material sales in 1986. Both have been hurt by imports.

Building material sales in South Carolina will increase 4% in real volume this year. The state's economy is becoming more tourist and retirement oriented, but the textile and cotton industries have seen imports gain share. The agricultural base of tobacco, soybeans and corn has not been robust. Resales roes 14% last year, starts 7% and employment 3.4%

West Virginia will be weakest state in the region. Building material sales will rise 1% in real volume. The coal mining industry and the chemical sector have been weak. Last year resales were up 9% but housing starts were down 9% and employment was off .2%. The decline in the dollar has helped Westmoreland Coal to sign a coal export agreement with Italy's steel industry.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Payless sales up 7.6% in 1Q

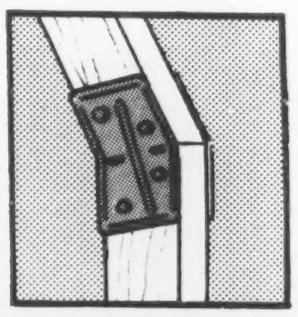
By an NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways reported first quarter sales rose 7.6% to $274.5 million for the period ended March 1. Net income was up 55.5% to $2.4 million, as the nation's third largest home center chain showed signs of reversing what had been soft 1984 fiscal results.

Comparable store sales—for those open at least a year—increased 3.5% for the quarter. A month-by-month breakdown showed compstore sales declined 7% in December, before climbing 10.4% in January and 12% in February.

David Stanley, chairman and ceo, attributed the higher sales to mild weather in January and February and an improved economy. Higher gross margins, which increased to 33.24% from 32.57%, combined with the sales increases and reduced interest costs contributed to the improved net income for the quarter.

Selling Barn Sheds Has Never Been So Easy!



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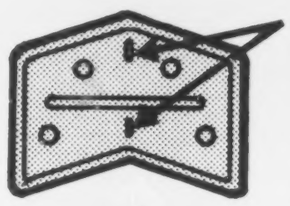

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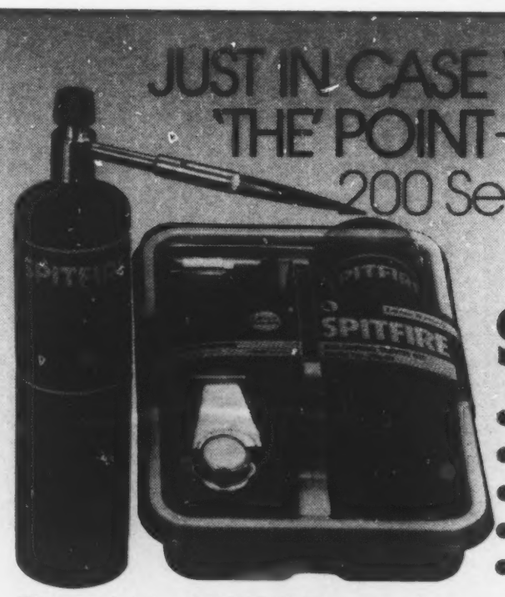

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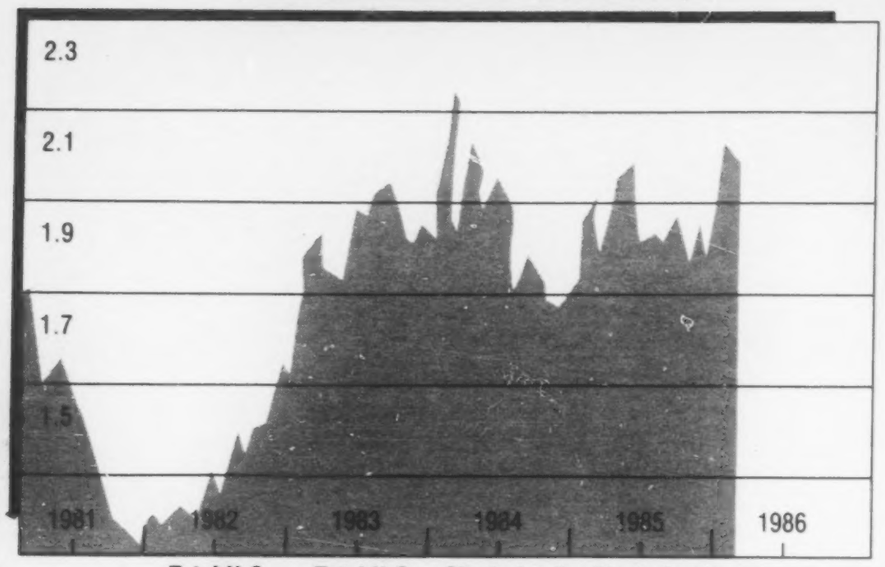
HOUSING WATCH

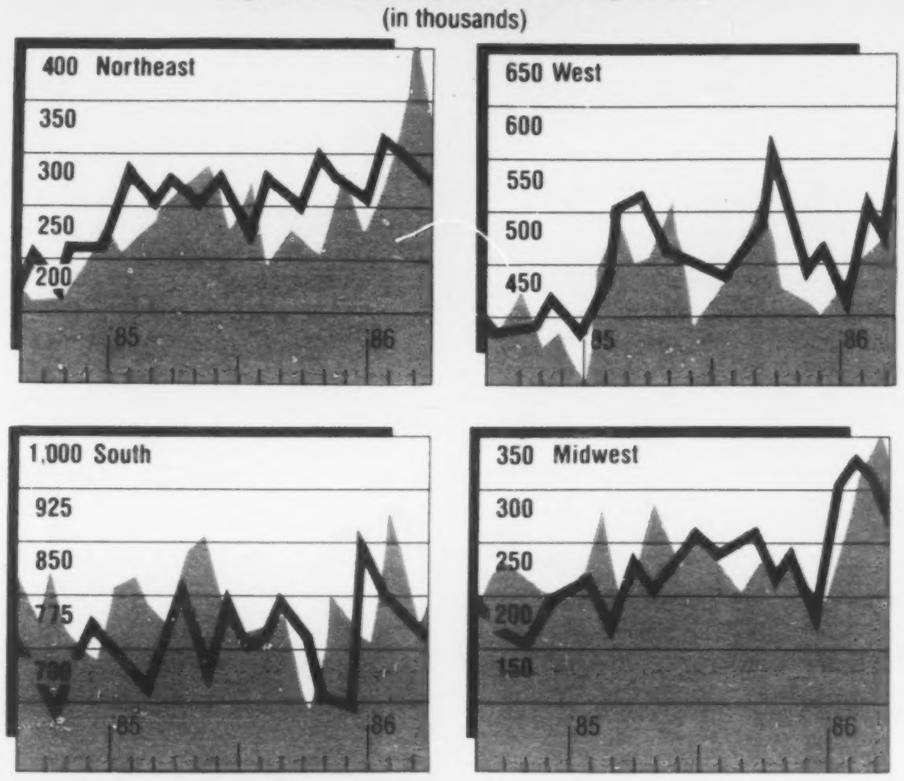
National housing starts and permits
(seasonally adjusted annual rates, in millions)

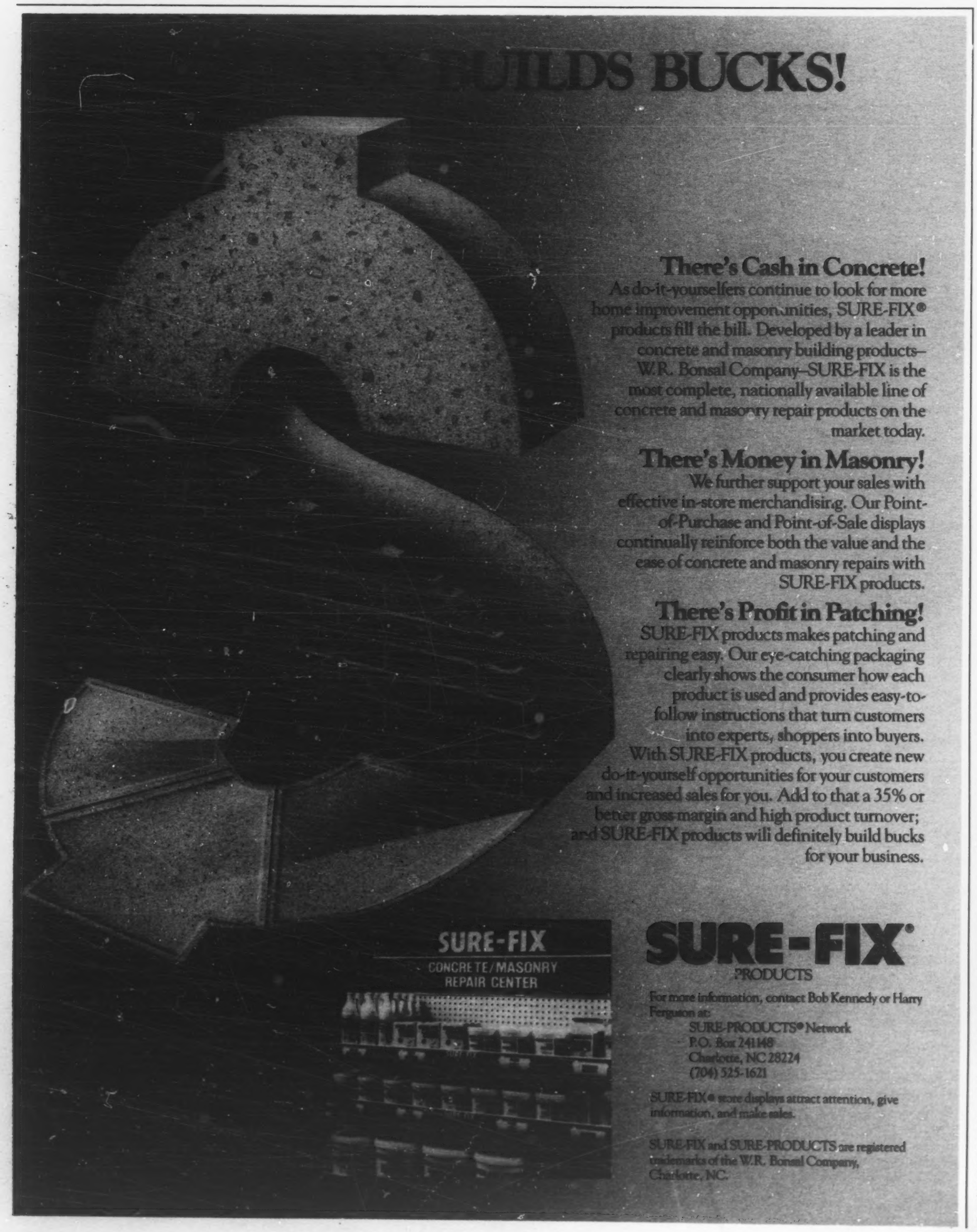


	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
Mar. '86	1,949	1,846	1,212	1,048
Feb. '86	1,997	1,803	1,204	1,022
Mar. '85	1,849	1,741	1,147	993

Key: Starts, Permits

Regional housing starts and permits
(in thousands)

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March starts down 3.5%; 1986 year-end projections increase

By an NHCN staff editor

NATIONAL REPORT — Despite a seasonally adjusted 3.5% decline in housing starts in March, to 1.985 million units, the National Association of Home Builders is again contemplating another increase in its year-end 1986 projections.

Gopal Ahluwalia, assistant staff vp at the NAHB, said the 1.71 million housing starts expected this year—which is an increase over the group's original projections for 1986—may again be raised this month to 1.76 million or 1.77 million units.

Single-family starts may also be increased, from the current 1.14 million—also a revision over the 1.1 million units originally forecasted—to 1.2 million to 1.25 million units, he said.

The new projections are being made because of declining mortgage and interest rates, Ahluwalia explained.

Although the seasonally adjusted numbers declined, the Commerce Department reported that the nation's unadjusted figures showed substantial growth in March.

Total housing starts jumped 40.5% to 150,900 units. Single-family starts rose 48.2% to 96,000 units. Permits activity was equally as strong. Total permits rose 38.4%, to 150,900, and single-family permits soared 46.9%, to 89,000.

Regional Housing
(in thousands)

	March starts	% chg.	March permits	% chg.
Northeast	332	−19.2	282	− 6.3
West	510	+ 6.7	580	+23.7
South	772	+ 3.8	708	− 2.6
Midwest	335	− 8.0	276	− 9.8

The huge discrepancies between the two sets of numbers is due to the seasonal adjustment factor.

While total seasonally adjusted housing starts dropped slightly in March, single-family starts edged up .7% to 1.2 million units.

Housing permits also showed a gain, of 2.4% thanks to a 23.7% increase in activity in the West, to 580,000 units, seasonally adjusted. All other areas declined.

The Midwest recorded a 9.8% drop in housing permits, to 276,000 units, seasonally adjusted. Permit activity declined by 6.3% in the Northeast, to 282,000 units, seasonally adjusted, and by 2.6% to 708,000 units, seasonally adjusted, in the South.

The housing starts declines in March were due mostly by a drop in activity in the Northeast, down 19.2%, and in the Midwest, down 8%.

Both the South and West charted starts increases in March. The South reported a 3.8% increase over its February numbers, to 772,000 units, seasonally adjusted, and the West recorded a 6.7% increase, to 510,000 units.

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LUMBER REPORT

Lumber City gains direct-shipment advantage with Weyerhaeuser deal

By an NHCN staff editor

VAN NUYS, Calif. — In its advertising, Weyerhaeuser claims it is the "First Choice." Here at Neiman-Reed's Lumber City, the wood products company is the "Only Choice."

Lumber City chose Weyerhaeuser as the 12-unit chain's exclusive supplier of approximately 85 stock keeping units of lumber and related building materials.

Weyerhaeuser is reluctant to publicize its arrangement with Lumber City, in part because "it would be impossible to exactly duplicate this program anywhere else," David Still, general manager of Weyerhaeuser's Building Materials Distribution organization in the Western U.S., said.

"This program requires quite a bit of equipment and square footage in our distribution center," he added.

The Lumber City/Weyerhaeuser relationship has bottom-line significance: Sales of lumber and building materials accounted for more than 20% of Lumber City's approximately $65 million 1985 volume.

It's common for DIY retailers to rely on a single vendor to supply a total program, of course, but there's a difference in Lumber City's involvement with Weyerhaeuser.

Weyerhaeuser, an outside vendor, is acting as an in-house supplier. Store-level lumber department managers order replenishment stock directly from a Weyerhaeuser salesman, bypassing the corporate buying staff altogether.

Then, on a weekly or more-often schedule, Weyerhaeuser trucks deliver orders directly to Lumber City's retail stores located primarily in the San Fernando Valley.

The program utilizing Weyerhaeuser as a single-source was begun in May 1985 and "gets better as we go along," Robert Neiman, Lumber City's chairman, said.

Weyerhaeuser's Still said Weyerhaeuser does have "similar" direct-ship arrangements with other DIY retailers, primarily those which do not have distribution centers.

The uniqueness of the Lumber City/Weyerhaeuser relationship is based on geographic proximity between the retailer's stores and Weyerhaeuser's San Fernando Valley Customer Service Center.

This center, a wholesale distribution facility in Sepulveda, Calif., is one of six in southern California, according to Ben Johnson, Weyerhaeuser's national accounts marketing manager for the southern California and Arizona territory.

Each Monday, lumber department managers at each Lumber City store call Weyerhaeuser sales representative Jeff Belluschi at the Sepulveda facility to place their weekly order.

Weyerhaeuser has agreed to deliver any size of order, no matter how small. "To make it easier to handle at store level," Weyerhaeuser has downsized standard lumber units—breaking bundles into quarter or half sizes, Weyerhaeuser's Belluschi said.

Understanding the special needs of the DIY customer "has been a real learning process for Weyerhaeuser and us," Phil Neiman, Lumber City's lumber buyer, said.

"Unlike Weyerhaeuser's contractor customers, our consumers don't care whether we sell Douglas fir or Hemlock fir or any other species," Phil Neiman said. "He is more concerned with appearance.

"Last summer, we found black mold on some timber from the Northwest," Phil Neiman said. "We had to replace it. The mold doesn't have any structural effect, but DIYers don't know that and they won't buy it."

Because Weyerhaeuser is direct-shipping replenishment product to individual stores, Lumber City has sharply curtailed retail lumber activity at its five-acre wholesale facility in Van Nuys.

The Van Nuys yard, which contributes about 10% of Lumber City's total volume, now concentrates on more-lucrative industrial accounts.

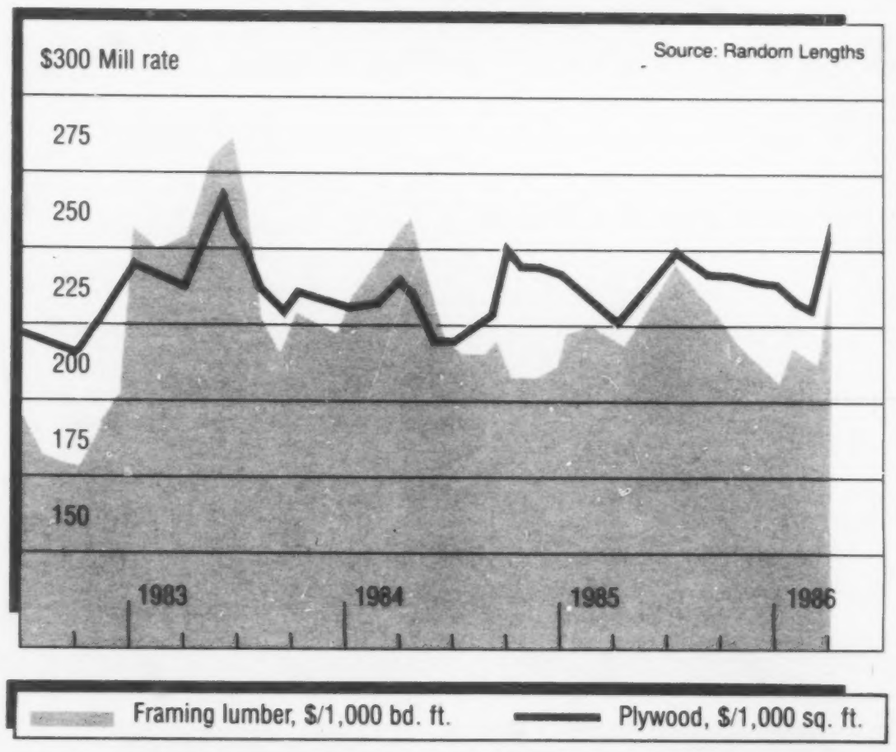
"Because we no longer stock all that lumber at the wholesale yard for our retail stores, we have been able to expand the mix of products bought by our industrial customers," Robert Neiman said. "The wholesale division is able to get a considerably better margin from industrial accounts than they got supplying our retail stores."

Weyerhaeuser doesn't get every bit of Lumber City's building materials-related business. The wholesale division is still providing the stores with tempered hard board. And for the chance to

(Continued on page 96)

Commodity close-up

Composite lumber/plywood price profile
(per thousand board feet)



Bouncing back from a sluggish fourth quarter finish in 1985, lumber and plywood prices have steadily surged upwards, surpassing 1985 price points. From a $183 per thousand board feet in December, the framing lumber composite hit $225 in March, higher than any selling point in 1985. Plywood's rise was not as spectacular, though prices moved from $203 in December to $229.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended April 10, 1986

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
May '86	196.50	183.50	189.30	187.40	3,533	197.00	140.00
Juiy	189.60	177.70	181.40	181.20	3,279	190.90	144.00
Sept.	180.80	171.50	174.40	174.60	1,387	182.40	145.50
Nov.	174.00	165.00	167.80	168.50	1,267	174.50	146.00
Jan. '87	175.00	169.80	170.50	172.80	144	175.00	150.00
Mar.	175.20	168.50	170.30	172.80	149	175.50	153.00
May	172.50	165.00	168.10	170.00	16	173.00	160.00

Total Contract Volume (thru 4/10): 24,865 — **Previous week: 9,635**
Total Open Interest (thru 4/10): 9,775 — **Previous 2 weeks: 25,615**
Cash Price: $201.88 — **Last week: $200.90** — **Year ago: $139.16**

CME—Chicago Mercantile Exchange
*Figures for April 10, 1986
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

National Home Center News • Section Two

Perspectives

The NHCN Annual Report on the Home Center Industry

Part One

HOUSE WORKS! HOME IMPROVEMENT OUTLET
GRACE HQ Home Quarters Warehouse
Scotty's
Mr. HOW WAREHOUSE
CHANNEL HOME CENTERS
Wickes
THE HOME DEPOT
Builders Emporium
LOWE'S
Rickel
MOORE'S AN EVANS PRODUCTS COMPANY
GROSSMAN'S WAREHOUSE
HANDY DAN!
Sutherlands
Payless Cashways
FURROW
LUMBERJACK
HECHINGER
HUGH M. WOODS
SOMERVILLE LUMBER
PAY-PAK
KNOX
CENTRAL HARDWARE
BUILDERS SQUARE
FOREST CITY
Lindsley AN EVANS PRODUCTS COMPANY
PAY-PAK
HANDYMAN
national LUMBER
COX LUMBER CO.
MOORE'S AN EVANS PRODUCTS COMPANY
Sutherland Lumber Co. LUMBER COAL AND BUILDING MATERIAL
McCOY'S BUILDING SUPPLY CENTERS
Chase-Pitkin
LLOYD HOME & BUILDING CENTERS, INC.
Mid-Cape HOME CENTERS THE NICKERSON COMPANIES SINCE 1895
PERGAMENT
MENARD Cashway Lumber
HomeClub AMERICA'S DO-IT-YOURSELF WAREHOUSE
DIAMOND LUMBER, INC.
Erb Lumber Co.
ERNST home centers

Perspectives

annual report

Slower sales growth spurs realistic plans for growth

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — In 1985, the home center industry experienced a slowdown in sales growth that is inspiring new, more realistic assessments of how quickly home center chains can grow—and in what form.

The numbers collected during research for the *NHCN* annual census issue tell the story. The top 100 chains in the industry grew by 11% in revenues during the year, well off the 18% increases in revenues they recorded during 1984.

Even more pronounced was the slowdown in growth for the top 10 chains, where an 11% revenue growth rate fell well under the robust 20% increase chalked up the year before.

Yet, one segment of the industry rapidly outpaced their competitors—at least in terms of sales. The chains appearing on the Top 100 list that fall between numbers 11 and 25 actually grew by 21% during the year. A glance at the Top 100 chart reveals why: In this category falls most of the warehouse retailers. Sales increases came to 381% for Mr. HOW, 257% for HomeClub, and 92% for Builders Square

The number of stores operated by the top 150 chains actually fell slightly in 1985. Much of this was brought about by profitability troubles that led to closings. For example, both Scott's and Walker-Kurth closed a total of 22 units during the year as both chains ceased business. Great Plains Supply reduced its count by 40 to a total of 42; Boise Cascade went from 60 to 19; and Edward Hines went from 40 to 26.

At the same time, the ambitious chains in the Top 25 (those racking up revenues from $190 million and up) managed to nearly make up the difference by increasing their own store counts by 4.3%. At the end of 1985 they were operating a total of 2,953 units, fully 66% of the total of 4,474 stores operated by the top 150 chains

If the upper volume chains have taken the lead in store growth, they also continue to play the most important role in total employment. The top 10 chains employ 88,559 people—fully 50% of the total of 177,010 emoloyed by the top 150 chains as a whole. And when taken as a group, the top 25 chains employ 129,859 people, or 73% of the total working at the top 150 chains.

Consumer sales, which make up nearly all of the revenues of such warehouse operators, continued to generate greater revenues for the industry as a whole last year.The chains which racked up the highest sales in 1985 captured a greater portion of their revenues from consumers than did those in the lower levels. For the top 25 chains, some 78% of sales derived from consumers, while for the top 150 chains, the comparable percentage was only 69%.

Wheeling & dealing in '85 mirrored '84 trend

NATIONAL REPORT — In many ways, 1985 mirrored 1984, as the home center industry experienced a continuation of the consolidation that gripped the retail home improvement business the previous year.

Just as K mart's $90 million purchase of Home Centers of America, now Builders Square, was the most significant industry event of 1984, Zayre's $151 million deal to acquire HomeClub last year symbolized the wheeling and dealing that ran rampant in 1985.

In February, Mr. HOW Warehouse bought five Forest City warehouse stores in Chicago, and Lowe's acquired 23 Boise Cascade units in Texas. Later in the year, Boise also sold off eight San Diego stores to former managers.

In April, Neiman-Reed co-founder Bob Neiman bought back from a British company a half interest in the California chain that bears his name; and Edward Hines formed a new private company after purchasing 26 Edward Hines Lumber stores.

In June, Builders Emporium purchased the four-unit Homeowners DIY Centers in southern California.

Overseas firms also stepped up their interest in American home center companies as Blue Circle Industries, a British firm, bought nine-store Williams Brothers in Atlanta, and Brussels-based GB-Inno-BM acquired a majority share in Handy Andy, the 15-unit, Gurnee, Ill.-based chain.

But, a general slowdown in sales from the previous years' breakneck pace, especially in the depressed oil

(Continued on page 82)

Falling oil prices create 'Doombelt' in Southwest

NATIONAL REPORT — The nation's Sunbelt continued to grow, and retailers were still anticipating the long-awaited renaissance of the nation's Frostbelt. But, the big story in 1985 was falling oil prices which created a "Doombelt" across the oil-producing states in the Southwest.

"1985 was damn poor; our economy is terrible down here, with oil and agriculture being what they are," said Bill Payne, vice president and general manager of T. H. Rogers Lumber, in Oklahoma City. The 33-unit chain experienced a 10% sales decline last year to $27 million. Making matters worse, "1986 is not expected to be much better," said Payne, who added the company will have to work harder and be more conservative with expenses.

Big Tin Barn, based in Diboll, Tex., cut its work force from 200 to 120, according to Bernie Brown, gm, but "that can only take you so far." Sales at the six-unit chain dropped 30% to $42 million last year, as the company was hurt by new competitors in the market. "I cannot compete with the big boys like Builders Square at retail," said Brown, who noted that he may have to consolidate his two larger stores in Houston into one unit if sales don't get better.

The drastic, year-long drop in oil prices left many markets over-developed and under-populated.

Arlington, Tex., independent Mayfield Building Supply attributed flat sales to the overbuilt situation in the housing market. "But, if interest rates stay low, and the housing keeps selling, things should pick up," said James Wallace, vp of the mostly contractor-oriented yard.

Single-family housing starts plummetted 51.8% in Houston last year, according to the National Association of Home Builders (NAHB). But, Houston is only the most-publicized by many hard-hit areas in the Southwest.

Dallas experienced a 10.9% decline in single-family housing starts in 1985. Jim Galbraith, president of 53-store Foxworth-Galbraith in Dallas, reported flat sales of around $111 million, "because a lot of our stores are in oil-related areas, and those that aren't are in overbuilt markets. Until we start seeing some movement in housing starts again, business is going to be down."

Some companies had such good years in 1984 that comparisons with last year were bound to be disappoint-

(Continued on page 82)

Top 10 firms squeeze 11% sales gain out of 3% increase in units

NATIONAL REPORT — While the top 10 home center chains increased their sales last year by 11%, to a total of $9.9 billion, they increased their store counts by only 3%, to a total of 1,989 units.

Over the 12-month period, the top 10 chains achieved average sales of $5.0 million per store

In contrast, the smaller chains were somewhat less productive. The top 150 chains as a whole produced $4.7 million in sales per store

These results from last month's survey for the *NHCN* census report show that the top players in the industry continue to be concerned with increasing the productivity of their stores.

In a survey done the previous year, it was seen that per-store productivity for the top 10 chains had increased from $3.8 million in 1983 to $4.4 million in 1984.

In 1985 the $9.9 billion in sales clocked for the top 10 chains accounted for 15% of the $64.9 billion in sales of building materials and hardware, as tracked by the U.S. Department of Commerce.

In 1984, their share of that market had also been clocked at 15%, up from 11% recorded in 1975.

Revenues recorded from the top 10 chains accounted for 48% of the $20.6 billion recorded by the top 150 chains. And the $14.1 billion recorded by the top 25 chains is fully 68% of that total.

Rank	Company	Total Sales Per Employee ($)	Total Sales Per Store (mil. $)	DIY Sales Per Sq. Ft. ($)
1	Lowe's Co.	159,385	7.3	297
2	W. R. Grace	82,000	4.4	208
3	Payless Cashways	106,579	8.2	276
4	Wickes Co.	96,000	5.4	365
5	Evans Products	113,953	3.1	85
6	The Home Depot	120,862	14.0	175
7	84 Lumber	260,800	1.7	52
8	Sutherland	214,074	6.8	340
9	Hechinger	59,875	8.9	148
10	Scotty's	84,464	3.8	71
11	Rickel	77,000	9.2	167
12	Builders Square	107,353	12.2	99
13	Menard's	109,375	11.3	137
14	Lanoga	152,273	2.4	176
15	Pay 'N Pak	154,884	3.1	112
16	Diamond Lumber	217,333	3.4	229
17	Central Hardware	108,000	8.7	145
18	Ernst Home Centers	86,667	3.6	99
19	HomeClub	86,207	13.9	139
20	Mr. HOW Warehouse	65,789	9.3	118
21	West Building Materials	94,340	3.9	130
22	Handyman	65,143	4.3	108
23	Carter-Jones Lumber	100,000	1.4	94
24	Pergament Home Centers	80,000	4.8	190
25	McCoy's	193,000	3.0	158

The calculations in the last two columns on this chart are based upon the number of stores, and showroom space, operated by the chains as of Dec. 31, 1985. Figures in those columns will represent activity below true performance in the case of chains—such as Builders Square—that rapidly rolled out stores during the year. Figures in the last column will represent activity above true performance for those chains—such as Wickes—which operate showrooms smaller than the industry average and which make a portion of their DIY sales out of attached outdoor lumberyards.

The NHCN Top 150 Total Sales

Rank '85	Rank '84	Company	Total Sales (Mil $) 1985	1984	% Chg.	% DIY 1985	1984	Number of Stores 1985	1984	'86 proj.	Selling Area (000) Store avg.	Chain total	Sku's Store avg.	Total	Number of Employees
1	1	**Lowe's Cos.,** North Wilkesboro, N.C.	**2,072**	1,689	23	**52**	52	**282**	248	300	13	3,666	12,000	25,000	13,317
2	2	**W. R. Grace,** New York	**1,394**	1,309	6	**95**	95	**319**	324	331	20	6,380	30,000	30,000	17,000
3	3	**Payless Cashways,** Kansas City, Mo.	**1,390**	1,180	18	**91**	90	**169**	157	181	27	4,563	13,500	15,000	13,042
4	5	**Wickes Cos.,** Santa Monica, Calif.	**1,152**	1,057	9	**60**	57	**212**	212	212	9	1,908	10,000	10,000	12,000
5	4	**Evans Products,** Miami	**980**	1,070	(8)	**83**	85	**319**	349	319	30	9,570	12,000	22,000	8,600
6	9	**The Home Depot,** Atlanta	**701**	433	62	**100**	100	**50**	31	59	80	4,000	25,000	25,000	5,800
7	6	**84 Lumber,** Eighty-Four, Pa.	**652**	750	(13)	**60**	60	**375**	365	390	20	7,500	7,500	7,500	2,500
8	7	**Sutherland,** Kansas City, Mo.	**578**	525	10	**100**	100	**85**	85	85	20	1,700	10,000	12,000	2,700
9	10	**Hechinger,** Landover, Md.	**479**	405	18	**100**	100	**54**	44	66	60	3,240	40,000	40,000	8,000
10	8	**Scotty's,** Winter Haven, Fla.[1]	**473**	440	8	**65**	65	**124**	110	135	35	4,340	14,500	14,500	5,600
11	12	**Rickel,** South Plainfield, N.J.	**385**	347	11	**100**	100	**42**	40	48	55	2,310	40,000	40,000	5,000
12	21	**Builders Square,** San Antonio	**365**	190	92	**65**	65	**30**	15	80	80	2,400	32,000	32,000	3,400
13	16	**Menard's,** Eau Claire, Wis.	**350**	285	23	**85**	85	**31**	24	33	70	2,170	45,000	50,000	3,200
14	13	**Lanoga,** Seattle	**335**	344	(3)	**50**	45	**140**	148	140	7	950	17,500	17,500	2,200
15	15	**Pay 'N Pak,** Kent, Wash.	**333**	305	9	**100**	100	**106**	100	108	28	2,968	15,000	15,000	2,150
16	14	**Diamond Lumber,** Dallas	**326**	330	(1)	**20**	21	**96**	96	95	3	288	12,000	12,000	1,500
17	20	**Central Hardware,** Bridgeton, Mo.	**270**	250	8	**100**	100	**31**	32	31	60	1,860	27,000	27,000	2,500
18	19	**Ernst Home Centers,** Seattle	**260**	240	8	**100**	100	**73**	72	77	36	2,628	25,000	30,000	3,000
19	45	**HomeClub,** Fullerton, Calif.	**250**	70	257	**100**	100	**18**	6	36	100	1,800	12,500	12,500	2,900
—	58	**Mr. HOW Warehouse,** Margate, Fla.	**250**	52	381	**95**	94	**27**	12	40	75	2,025	30,000	30,000	3,800
—	18	**West Building Materials,** Atlanta	**250**	245	2	**50**	40	**64**	65	67	15	960	18,000	20,000	2,650
22	17	**Handyman,** San Diego, Calif.	**228**	269	(15)	**100**	100	**53**	55	55	40	2,120	25,000	25,000	3,500
23	24	**Carter-Jones Lumber,** Kent, Ohio	**200**	165	21	**55**	55	**146**	142	146	8	1,168	8,000	8,000	2,000
—	23	**Pergament Home Centers,** Melville, N.Y.	**200**	180	11	**100**	100	**42**	42	48	25	1,050	30,000	30,000	2,500
25	22	**McCoy's,** San Marcos, Tex.	**193**	181	7	**80**	80	**65**	58	72	15	975	8,000	8,000	1,000
26	27	**Erb Lumber,** Birmingham, Mich.	**190**	150	27	**50**	50	**26**	28	28	10	260	7,000	10,000	1,045
27	26	**Homecrafters Warehouse,** Birmingham, Ala.	**184**	156	18	**65**	50	**28**	40	28	11	308	14,500	28,000	688
28	25	**Forest City,** Cleveland	**160**	158	1	**100**	100	**18**	20	20	65	1,170	30,000	30,000	2,400
29	NL	**Gerrity Building Centers,** Meredith, N.H.	**159**	125	27	**7**	15	**16**	10	18	12	192	9,000	12,000	600
30	29	**Wolohan Lumber,** Saginaw, Mich.	**151**	139	9	**57**	58	**34**	34	36	20	680	7,000	14,000	631
31	27	**Weyerhaeuser,** Tacoma, Wash.[2]	**148**	150	(1)	**47**	42	**9**	11	8	20	176	23,000	23,000	1,000
32	31	**National Lumber & Supply,** Santa Ana, Calif.	**134**	128	5	**100**	100	**19**	15	19	60	1,140	24,000	24,000	1,500
33	11	**Boise Cascade,** Boise, Idaho[3]	**130**	390	(67)	**20**	38	**26**	77	22	10	260	10,000	35,000	1,150
34	32	**O'Malley's,** Phoenix	**120**	114	5	**30**	40	**16**	19	16	25	400	20,000	20,000	600
35	35	**Knox Lumber,** St. Paul, Minn.	**118**	103	15	**95**	98	**10**	10	11	22	220	22,000	22,000	800
36	33	**Foxworth-Galbraith,** Dallas	**111**	110	1	**40**	40	**53**	59	53	12	636	12,000	12,000	1,600
37	34	**Handy Andy,** Gurnee, Ill.	**106**	94	13	**98**	98	**16**	15	21	55	880	25,000	30,000	1,500
38	36	**Lloyd Home & Building Ctrs.,** Danbury, Conn.	**100**	90	11	**68**	66	**35**	39	35	12	420	12,000	13,000	854
39	38	**Hill-Behan Lumber,** St. Louis	**91**	80	14	**49**	50	**34**	34	35	12	408	13,000	13,000	850
40	30	**Edward Hines Lumber,** Chicago	**90**	138	(35)	**40**	40	**26**	40	26	9	234	8,000	9,000	800
—	62	**Mr. Goodbuys,** Philadelphia	**90**	50	80	**100**	100	**8**	6	14	70	560	20,000	27,000	1,100
—	45	**Strober Brothers,** Brooklyn, N.Y.	**90**	70	29	**30**	26	**9**	8	10	35	315	12,000	12,000	225
43	38	**Anderson Lumber,** Ogden, Utah	**86**	80	8	**30**	33	**23**	22	23	6	138	15,000	15,000	550
44	38	**Copeland Lumber Yards,** Portland, Ore.	**85**	80	6	**52**	55	**80**	80	80	5	400	5,500	5,500	600
45	43	**Meeks Building Centers,** Springfield, Mo.	**83**	75	11	**40**	40	**22**	21	23	15	330	20,000	20,000	450
46	38	**Terry Companies,** Tarzana, Calif.	**80**	80	0	**20**	20	**12**	10	12	6	72	10,000	10,000	350
47	44	**Lampert Lumber,** St. Paul, Minn.	**77**	75	3	**70**	71	**46**	47	46	10	460	7,000	28,000	650
48	45	**Seacoast Building Centers,** Conway, S.C.	**75**	70	7	**4**	4	**12**	12	14	24	288	12,000	12,000	467
49	50	**Westlake Ace Hardware,** Moberly, Mo.	**70**	60	17	**91**	92	**33**	28	40	22	726	21,000	21,000	700
50	NL	**Lyman Lumber,** Excelsior, Minn.	**67**	74	(9)	**3**	3	**5**	5	5	10	50	8,000	10,000	400
51	56	**Alexander Lumber,** Aurora, Ill.	**65**	60	8	**20**	20	**53**	60	53	10	530	10,000	10,000	325
—	NL	**Mack Industries,** Hollywood, Fla.	**65**	63	3	**20**	19	**4**	2	4	20	80	9,000	11,000	500
—	48	**Valu Home Centers,** Buffalo, N.Y.	**65**	65	0	**100**	100	**22**	22	24	27	594	13,000	16,000	575
54	58	**Brown-Graves,** Akron, Ohio	**64**	52	23	**16**	15	**5**	5	5	12	60	10,000	10,000	350
—	49	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	**64**	63	2	**91**	90	**12**	12	12	35	420	22,000	22,000	725
56	62	**Williams Brothers,** Atlanta	**62**	50	24	**32**	40	**9**	9	10	12	108	11,000	14,000	425
57	62	**Stambaugh-Thompson,** Youngstown, Ohio	**61**	54	13	**100**	100	**20**	20	21	27	540	21,000	21,000	800
58	53	**A. C. Houston Lumber,** Wichita, Kan.	**60**	57	5	**30**	30	**11**	11	11	10	110	12,000	18,000	400
—	37	**Busy Beaver,** Pittsburgh	**60**	83	(28)	**95**	94	**11**	24	11	40	440	13,000	14,000	400
—	66	**Chase-Pitkin,** Rochester, N.Y.	**60**	49	22	**93**	96	**11**	12	13	35	385	30,000	30,000	650
—	56	**Courtesy Home Centers,** Mt. Prospect, Ill.	**60**	55	9	**100**	100	**5**	5	6	50	250	35,000	35,000	850

Rank '85	Rank '84	Company	Total Sales (Mil $) 1985	1984	% Chg.	% DIY 1985	1984	Number of Stores 1985	1984	'86 proj.	Selling Area (000) Store avg.	Chain total	Sku's Store avg.	Total	Number of Employees
—	42	**Great Plains Supply,** St. Paul, Minn.	**60**	73	(18)	**30**	30	**42**	82	43	4	168	8,000	12,000	275
—	NL	**Ray Lumber,** Phoenix, Ariz.	**60**	62	(3)	**2**	2	**3**	3	3	5	15	12,500	12,500	375
—	62	**Wolf Supply,** York, Pa.	**60**	50	20	**33**	30	**24**	22	27	3	72	4,000	4,000	22
65	52	**M. G. Building Materials,** San Antonio, Tex.	**58**	58	0	**40**	40	**4**	3	4	10	40	12,000	12,000	100
66	68	**Cox Lumber,** St. Petersburg, Fla.	**57**	57	0	**19**	19	**13**	12	14	15	195	8,000	10,000	520
67	58	**Peter Kuntz,** Dayton, Ohio	**54**	52	4	**50**	50	**21**	24	21	20	420	15,000	20,000	375
68	NL	**Parr Lumber,** Aloha, Ore.	**53**	50	6	**19**	14	**9**	9	9	4	36	15,000	15,000	230
69	72	**Church's Lumber,** Utica, Mich.	**50**	42	19	**76**	76	**15**	14	16	20	300	12,500	15,000	350
—	NL	**National Lumber** Warren, Mich.	**50**	38	32	**2**	3	**1**	1	1	20	20	7,000	7,000	150
—	NL	**Scherer Brothers,** Minneapolis, Minn.	**50**	40	25	**10**	10	**2**	1	2	3	6	8,000	10,000	250
—	58	**Star Lumber,** Wichita, Kan.	**50**	52	(4)	**50**	42	**3**	3	3	30	90	28,000	28,000	400
73	NL	**National Home Center,** Springdale, Ark.	**49**	33	48	**41**	33	**4**	4	4	42	168	22,000	30,000	425
74	86	**Eclipse Industries,** St. Louis[4]	**48**	36	32	**97**	97	**9**	8	11	50	450	10,000	12,000	300
75	69	**Goodman's Lumber,** San Francisco	**47**	43	9	**100**	100	**4**	5	4	50	200	15,000	20,000	200
76	NL	**Bellevue Builders Supply,** Schenectady, N.Y.	**44**	36	22	**34**	36	**1**	1	1	12	12	15,000	15,000	180
—	NL	**General Building Products,** Medford, N.Y.	**44**	28	57	**41**	39	**4**	4	5	7	28	12,000	12,000	215
—	76	**Mid-Cape Home Centers,** Orleans, Mass.	**44**	38	16	**25**	26	**8**	9	8	10	80	17,000	20,000	225
—	53	**Stripling Blake Lumber,** Austin, Tex.	**44**	57	(23)	**20**	11	**1**	1	2	32	32	35,000	35,000	276
80	69	**Causeway Lumber,** Fort Lauderdale, Fla.	**43**	43	0	**12**	12	**3**	3	4	5	15	8,000	8,000	320
—	69	**Warners True Value,** St. Paul, Minn.	**43**	43	0	**95**	95	**23**	23	23	20	460	20,000	20,000	300
82	50	**Big Tin Barn,** Diboll, Tex.	**42**	60	(30)	**14**	20	**6**	6	6	4	24	10,000	10,000	120
—	55	**Calcasieu Lumber,** Austin, Tex.	**42**	56	(25)	**2**	2	**1**	1	1	10	10	13,000	13,000	220
—	79	**Ganahl Lumber,** Anaheim, Calif.	**42**	36	17	**17**	19	**4**	4	4	7	28	14,000	20,000	250
—	78	**Seigle's Home & Building Centers,** Elgin, Ill.	**42**	38	11	**31**	32	**5**	5	6	24	120	20,000	20,000	275
—	72	**The Paty Co.,** Piney Flats, Tenn.	**42**	40	5	**55**	55	**6**	6	6	20	120	13,000	13,000	400
87	75	**Brewster's Lumber,** Providence, R.I.	**41**	39	5	**49**	59	**4**	4	4	17	68	10,000	10,000	200
88	96	**E. C. Barton,** Jonesboro, Ark.	**40**	42	(5)	**20**	17	**27**	27	27	5	135	9,000	9,000	350
—	72	**Fullerton Lumber,** Minneapolis, Minn.	**40**	35	14	**40**	40	**38**	46	38	13	494	12,000	12,000	400
—	NL	**Stevenson Lumber,** Stevenson, Conn.	**40**	25	60	**13**	20	**1**	1	2	3	3	7,000	8,000	100
91	81	**Curtis Lumber,** Ballston Spa, N.Y.	**39**	32	22	**41**	75	**6**	6	7	14	81	9,500	9,500	201
92	NL	**Daniels-McCray Lumber,** Kansas City, Mo.	**38**	34	12	**5**	6	**3**	3	3	3	9	9,000	9,000	150
93	NL	**East Coast Lumber,** East Hampstead, N.H.	**37**	24	54	**16**	17	**2**	1	3	30	60	6,000	6,000	185
—	NL	**Ply-Marts,** Norcross, Ga.	**37**	33	12	**11**	9	**4**	4	3	10	40	2,000	5,000	200
95	NL	**Mayfield Building Supply,** Arlington, Tex.	**36**	35	3	**6**	6	**1**	1	1	6	6	5,000	6,000	175
—	81	**Plywood Minnesota,** Minneapolis	**36**	32	13	**61**	59	**10**	9	11	30	300	5,000	5,000	300
97	86	**City Mill,** Honolulu	**35**	30	17	**91**	90	**5**	5	5	45	225	21,000	21,000	380
—	NL	**General Building Supply,** East Hartford, Conn.	**35**	30	17	**40**	47	**4**	4	4	8	32	12,000	12,000	200
—	86	**Hancock Co.,** Casco, Me.	**35**	30	17	**46**	43	**6**	6	6	4	24	11,000	15,000	100
—	86	**J.T.'s Home Centers,** Middletown, R.I.	**35**	30	17	**34**	37	**4**	5	5	11	44	32,000	32,000	260
—	NL	**Kempsville,** Virginia Beach, Va.	**35**	33	6	**11**	9	**1**	1	1	12	12	12,000	12,000	175
—	NL	**L&P Building Supply,** Albuquerque, N.M.	**35**	35	0	**20**	20	**7**	9	6	8	56	8,000	8,000	155
—	79	**Lampert Yards,** St. Paul, Minn.	**35**	35	0	**46**	43	**29**	31	29	4	116	35,000	45,000	290
—	95	**Lezzer Lumber,** Curwensville, Pa.	**35**	29	21	**49**	52	**6**	6	6	15	90	20,000	20,000	145
—	86	**M. L. Claster & Sons,** Bellefonte, Pa.	**35**	28	25	**49**	50	**12**	12	12	8	96	6,500	6,500	120
—	86	**Rigg's Supply,** Kennett, Mo.	**35**	30	17	**86**	87	**7**	6	8	50	350	50,000	50,000	160
107	81	**Crissey-Fowler Lumber,** Colorado Springs, Colo.	**34**	32	6	**15**	16	**1**	1	1	30	30	21,000	21,000	155
108	NL	**Haddonfield Lumber,** Haddonfield, N.J.	**33**	29	14	**12**	14	**3**	3	4	3	9	8,000	8,000	110
109	NL	**Fagen's,** Verona, Pa.	**32**	0	NC	**34**	NC	**13**	0	14	10	130	8,000	10,000	200
110	86	**Babbitt Brothers,** Flagstaff, Ariz.	**30**	30	0	**40**	40	**6**	6	6	10	60	10,000	12,000	135
—	99	**Braver Lumber,** Detroit	**30**	27	11	**87**	93	**11**	12	12	8	88	7,000	12,000	250
—	99	**Budget Power,** Hopkins, Minn.	**30**	25	20	**83**	80	**8**	8	8	10	80	22,000	23,000	400
—	NL	**Builders Supply,** Omaha, Neb.	**30**	27	11	**13**	15	**1**	1	1	20	20	20,000	20,000	200
—	NL	**Century Lumber,** Braintree, Mass.	**30**	25	20	**50**	52	**6**	6	6	10	60	15,000	16,000	150
—	81	**Elk Supply,** Clinton, Okla.	**30**	31	(3)	**77**	84	**16**	15	16	12	192	30,000	30,000	127
—	NL	**Masten Lumber,** Milford, Del.	**30**	25	20	**23**	24	**7**	7	8	15	105	9,200	9,200	200
—	86	**Panning Lumber,** Orlando, Fla.	**30**	30	0	**10**	10	**7**	7	7	5	35	12,000	12,000	250
—	NL	**Standard Supply & Lumber,** Grand Rapids, Mich.	**30**	27	13	**25**	25	**9**	9	12	5	41	12,500	15,000	155
—	NL	**Triangle Building Centers,** Quakertown, Pa.	**30**	21	43	**80**	81	**4**	4	6	45	180	20,000	20,000	300
—	NL	**Woodbury and Sons,** Glens Falls, N.Y.	**30**	23	30	**43**	30	**8**	8	9	8	64	12,000	14,500	250
121	NL	**Hayward Lumber,** Salinas, Calif.	**29**	23	26	**34**	39	**6**	6	6	12	72	20,000	20,000	140

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122	NL	**Babcock Building Supply,** Melbourne, Fla.	28	28	0	50	50	8	7	8	40	320	33,000	33,000	233
—	NL	**Herndon Lumber,** Gainesville, Va.	28	24	17	7	8	1	1	1	5	5	5,000	5,000	90
124	NL	**Cofer Brothers,** Atlanta	27	26	4	11	12	1	1	1	16	16	10,000	10,000	70
—	86	**T. H. Rogers Lumber,** Oklahoma City	27	30	(10)	67	67	33	32	33	3	99	10,000	10,000	200
126	99	**All American Home Center,** Downey, Calif.	26	25	4	100	100	1	1	1	173	173	80,000	80,000	265
—	NL	**Fairfield Lumber,** Fairfield, Conn.	26	20	30	12	15	1	1	1	40	40	15,000	15,000	130
—	NL	**Millard Lumber,** Omaha	26	26	0	31	31	2	2	2	18	36	25,000	25,000	190
129	99	**Gee Lumber,** Chicago	25	25	0	80	80	13	13	13	20	260	40,000	42,000	450
—	NL	**Levy's Lumber,** Louisville, Ky.	25	18	39	84	83	4	3	5	62	248	25,000	25,000	300
—	99	**Sackett & Peters,** Whittier, Calif.	25	25	0	100	100	2	2	2	80	160	37,000	37,000	155
132	NL	**Champion Lumber,** Riverside, Calif.	24	23	4	4	4	1	1	1	10	10	1,000	1,000	66
133	NL	**Bailey Lumber,** Bluefield, W. Va.	23	22	3	65	65	17	17	15	5	85	7,500	10,000	212
—	NL	**Builderama,** Savannah, Ga.	23	19	21	83	81	6	6	7	30	180	18,000	19,000	275
—	NL	**Hacienda Home Centers,** Albuquerque, N.M.	23	15	50	100	90	6	5	6	21	126	15,000	15,000	280
—	NL	**Manis Lumber (Wheeler's),** Rome, Ga.	23	18	29	36	29	6	6	6	8	48	8,000	10,000	125
—	85	**Martin Home Centers,** Alexandria, La.	23	31	(26)	26	23	6	7	6	10	60	9,000	9,000	130
—	NL	**Spahn and Rose Lumber,** Dubuque, Iowa	23	22	5	52	55	25	25	25	10	250	15,000	15,000	175
139	NL	**Nassau Suffolk Lumber & Supply,** Hauppauge, N.Y.	22	20	10	30	30	6	6	6	15	90	10,000	12,000	160
—	NL	**Stine Lumber,** Sulfur, La.	22	19	16	80	80	6	6	6	15	90	6,500	6,500	186
141	NL	**Hughes Lumber,** Tulsa, Okla.	21	24	(13)	81	79	10	10	10	15	150	7,500	7,500	150
—	NL	**TAPJAC Co.,** Carthage, Mo.	21	23	(9)	65	75	12	12	13	10	120	9,000	20,000	224
143	NL	**Olshan Lumber Co.,** Houston	20	20	0	80	80	2	1	2	35	70	18,000	18,000	175
—	NL	**Thurman Industries,** Kirkland, Wash.	20	20	0	98	98	10	10	10	15	150	10,000	12,000	150
—	96	**Robertson Cos.,** Grand Forks, N.D.	20	27	(26)	40	37	26	27	26	8	208	17,000	20,000	170
146	NL	**San Diego Glass & Paint,** San Diego, Calif.	18	17	6	90	90	17	17	17	9	153	15,000	15,000	225
147	NL	**Ziegler Building Centers,** Spokane, Wash.	17	15	11	93	85	7	7	7	12	84	1,000	1,000	85
148	67	**Walker-Kurth Lumber,** Houston[5]	16	48	(67)	50	50	0	5	0	20	0	25,000	25,000	250
149	NL	**Supply One,** Rancho Cordova, Calif.[6]	15	0	—	100	—	3	0	4	24	72	26,000	30,000	200
150	NL	**Plywood Ranch,** Braintree, Mass.	13	21	(38)	92	57	11	12	14	14	154	9,000	9,000	143
—	76	**Scott's,** Linthicum, Md.[7]	13	38	(66)	95	97	0	17	0	25	0	15,000	15,000	400
TOP 10 TOTALS AND AVERAGES			9,871	8,858	11	77	76	1,989	1,925	2,078	31	46,867	17,450	20,100	88,559
TOP 25 TOTALS AND AVERAGES			14,066	12,311	14	78	76	2,953	2,832	3,154	37	72,539	20,780	22,320	129,859
TOP 50 TOTALS AND AVERAGES			16,861	15,150	11	74	72	3,569	3,522	3,797	30	83,261	17,730	20,270	151,369
TOP 100 TOTALS AND AVERAGES			19,289	17,413	11	70	68	4,085	4,105	4,314	24	91,408	15,770	17,675	167,203
TOP 150 TOTALS AND AVERAGES			20,605	18,628	11	69	67	4,474	4,482	4,739	23	96,751	16,051	17,725	177,010

Company	Subsidiaries	Total Sales (Mil $) 1985	1984	% change	% DIY 1985	1984	Number of Stores 1985	1984	'86 proj.	'85 Selling Area (000) Store avg.	Chain total	Sku's Store avg.	Sku's Total	Number of employees
W. R. GRACE	**Grace Central,** San Antonio, Tex.[8]	358	400	(10.5)	100	100	103	117	106	41	4,203	19,450	NA	NA
	Channel, Whippany, N.J.	437	395	10.6	100	100	101	100	110	40	4,040	25,000	25,000	NA
	Grace West, Diamond Bar, Calif.[9]	394	375	5.1	100	100	91	89	88	37	3,367	23,000	23,000	6,500
	Orchard Supply Hardware, San Jose, Calif.	155	139	12.0	80	80	21	18	21	33	693	50,000	50,000	2,300
	Home Quarters Warehouse, Virginia Beach, Va.	50	NA	NA	100	NA	3	0	6	80	240	25,000	25,000	NA
PAYLESS CASHWAYS[10]	**Somerville Lumber,** Somerville, Mass.	93	62	50.0	85	85	3	3	6	42	126	42,000	42,000	700
EVANS PRODUCTS	**Grossman's,** Braintree, Mass.	500	520	(4.0)	85	92	156	178	NA	30	4,680	15,000	22,000	NA
	Lindsley, Miami	105	130	(19.0)	100	100	43	43	NA	NA	0	NA	NA	NA
	Moore's (including Alamo), Roanoke, Va.	260	250	4.0	65	68	88	89	NA	NA	0	NA	NA	NA
	Grossman's West, and Hubbard and Johnson	115	139	(17.0)	100	100	32	30	NA	NA	0	NA	NA	NA
WICKES COS.	**Wickes Lumber,** Vernon Hills, Ill.	912	853	7.0	50	47	212	212	NA	9	1,908	10,000	10,000	NA
	Builders Emporium, Irvine, Calif.	240	204	18.0	100	100	63	59	66	35	2,205	20,000	20,000	NA
LANOGA	**Lumbermen's,** Olympia, Wash.	60	60	0	57	57	14	14	16	10	140	12,000	12,000	375
	Spenards, Anchorage	148	148	0	34	34	11	11	12	9	99	19,000	19,000	NA
	United Building Centers, Winona, Minn.	127	136	(7.0)	47	46	115	123	NA	6	690	NA	NA	NA
WEYERHAEUSER	**Dixieline Lumber,** San Diego, Calif.	102	107	(5.0)	40	40	5	5	6	18	90	25,000	25,000	601
	Everitt Lumber, Fort Collins, Colo.	26	31	(16.0)	38	39	2	4	NA	27	54	NA	NA	NA
	Fisher-Malibu Lumber, Santa Monica, Calif.	20	12	67.0	90	67	2	2	2	16	32	18,000	18,000	85

[1]Scotty's (No. 10): Fiscal year ends June 30. All numbers in charts are for calendar year.

[2]Weyerhaeuser (No. 31): Weyerhaeuser owned Dixieline Lumber until it was purchased by Norlek Inc., Providence, R.I., in late 1985. Another Weyerhaeuser subsidiary, Everitt Lumber, closed or sold its four Colorado home centers in later 1985 and early 1986.

[3]Boise Cascade (No. 33): Divesting its home center units, including 23 sold to Lowe's in January 1985.

[4]Eclipse Industries (No. 74): Totals include 50% of revenues from DIY Home Warehouse, a joint venture with Erb Lumber.

[5]Walker-Kurth Lumber (No. 148): Totals include sales prior to liquidation last summer.

[6]Supply One (No. 149): Opened first unit in late 1984.

[7]Scott's (No. 150): Acquired by General Host in July. Stores closed and in process of being reopened as Frank's Nursery & Crafts outlets.

[8]Grace's Central Region includes Handy City, Handy Dan and HouseWorks.

[9]Grace's Western Region includes Angels, Cashway, Ole's, and Handy Dan in Denver and western Texas.

[10]Payless Cashways, Furrow's, Prime, Lumberjack and Wood Bros. are included under Payless Cashways totals

NA: Not applicable/available

NL: New listing

NR: Not rated

Source: Company data; *NHCN* research, *NHCN* chart

The NHCN Top 100 DIY Sales

DIY Rank	Company	DIY Sales 1985 (Mil. $)	DIY Sales 1984 (Mil. $)	% Change	% DIY 1985	Total Stores 1985
1	**W. R. Grace,** New York	**1,324**	1,243	7	**95**	319
2	**Payless Cashways,** Kansas City, Mo.	**1,260**	1,058	19	**91**	169
3	**Lowe's Cos.,** North Wilkesboro, N.C.	**1,087**	878	24	**52**	282
4	**Evans Products,** Miami	**814**	909	(10)	**83**	319
5	**The Home Depot,** Atlanta	**701**	433	62	**100**	50
6	**Wickes Cos.,** Santa Monica, Calif.	**696**	605	15	**60**	212
7	**Sutherland,** Kansas City, Mo.	**578**	525	10	**100**	85
8	**Hechinger,** Landover, Md.	**479**	405	18	**100**	54
9	**84 Lumber,** Eighty-Four, Pa.	**391**	450	(13)	**60**	375
10	**Rickel,** South Plainfield, N.J.	**385**	347	11	**100**	42
11	**Pay 'N Pak,** Kent, Wash.	**333**	305	9	**100**	106
12	**Scotty's,** Winter Haven, Fla.	**307**	286	7	**65**	124
13	**Menard's,** Eau Claire, Wis.	**298**	242	23	**85**	31
14	**Central Hardware,** Bridgeton, Mo.	**270**	250	8	**100**	31
15	**Ernst Home Centers,** Seattle	**260**	240	8	**100**	73
16	**HomeClub,** Fullerton, Calif.	**250**	70	257	**100**	18
17	**Mr. HOW Warehouse,** Margate, Fla.	**238**	49	386	**95**	27
18	**Builders Square,** San Antonio	**237**	123	93	**65**	30
19	**Handyman,** San Diego, Calif.	**228**	269	(15)	**100**	53
20	**Pergament Home Centers,** Melville, N.Y.	**200**	180	11	**100**	42
21	**Lanoga,** Seattle	**168**	155	8	**50**	140
22	**Forest City,** Cleveland	**160**	158	1	**100**	18
23	**McCoy's,** San Marcos, Tex.	**154**	145	6	**80**	65
24	**National Lumber & Supply,** Santa Ana, Calif.	**134**	128	5	**100**	19
25	**West Building Materials,** Atlanta	**125**	98	28	**50**	64
26	**Homecrafters Warehouse,** Birmingham, Ala.	**120**	78	54	**65**	28
27	**Knox Lumber,** St. Paul, Minn.	**112**	101	11	**95**	10
28	**Carter-Jones Lumber,** Kent, Ohio	**110**	91	21	**55**	146
29	**Handy Andy,** Gurnee, Ill.	**104**	92	13	**98**	16
30	**Erb Lumber,** Birmingham, Mich.	**95**	75	27	**50**	26
31	**Mr. Goodbuys,** Philadelphia	**90**	50	80	**100**	8
32	**Wolohan Lumber,** Saginaw, Mich.	**86**	81	6	**57**	34
33	**Weyerhaeuser,** Tacoma, Wash.	**69**	63	9	**47**	9
34	**Lloyd Home & Building Ctrs.,** Danbury, Conn.	**68**	59	15	**68**	35
35	**Diamond Lumber,** Sacramento	**66**	69	(4)	**20**	96
36	**Valu Home Centers,** Buffalo, N.Y.	**65**	65	0	**100**	22
37	**Westlake Ace Hardware,** Moberly, Mo.	**64**	55	16	**91**	33
38	**Stambaugh-Thompson,** Youngstown, Ohio	**61**	54	13	**100**	20
39	**Courtesy Home Centers,** Mt. Prospect, Ill.	**60**	55	9	**100**	5
40	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	**58**	57	2	**91**	12
41	**Busy Beaver,** Pittsburgh	**57**	78	(27)	**95**	11
42	**Chase-Pitkin,** Rochester, N.Y.	**56**	47	19	**93**	11
43	**Lampert Lumber,** St. Paul, Minn.	**54**	53	2	**70**	46
44	**Goodman's Lumber,** San Francisco	**47**	43	9	**100**	4
45	**Eclipse Industries,** St. Louis	**46**	35	32	**97**	9
46	**Hill-Behan Lumber,** St. Louis	**45**	40	13	**49**	34
47	**Foxworth-Galbraith,** Dallas	**44**	44	0	**40**	53
—	**Copeland Lumber Yards,** Portland, Ore.	**44**	44	0	**52**	80
49	**Warners True Value,** St. Paul, Minn.	**41**	41	0	**95**	23
50	**Church's Lumber,** Utica, Mich.	**38**	32	19	**76**	15
51	**Edward Hines Lumber,** Chicago	**36**	55	(35)	**40**	26
—	**O'Malley's,** Phoenix	**36**	46	(22)	**30**	16
53	**Meeks Building Centers,** Springfield, Mo.	**33**	30	10	**40**	22
54	**City Mill,** Honolulu	**32**	27	19	**91**	5
55	**Rigg's Supply,** Kennett, Mo.	**30**	26	15	**86**	7
56	**Peter Kuntz,** Dayton, Ohio	**27**	26	4	**50**	21
—	**Strober Brothers,** Brooklyn, N.Y.	**27**	18	50	**30**	9
58	**Boise Cascade,** Boise, Idaho	**26**	147	(82)	**20**	26
—	**Anderson Lumber,** Ogden, Utah	**26**	26	0	**30**	23
—	**Braver Lumber,** Detroit	**26**	25	4	**87**	11
—	**All American Home Center,** Downey, Calif.	**26**	25	4	**100**	1
62	**Sackett & Peters,** Whittier, Calif.	**25**	25	0	**100**	2
—	**Star Lumber,** Wichita, Kan.	**25**	22	14	**50**	3
—	**Budget Power,** Hopkins, Minn.	**25**	20	25	**83**	8
65	**Triangle Building Centers,** Quakertown, Pa.	**24**	17	41	**80**	4
66	**Elk Supply,** Clinton, Okla.	**23**	26	(12)	**77**	16
—	**M. G. Building Materials,** San Antonio, Tex.	**23**	23	0	**40**	4
—	**The Paty Co.,** Piney Flats, Tenn.	**23**	22	5	**55**	6
—	**Hacienda Home Centers,** Albuquerque, N.M.	**23**	14	67	**100**	6
70	**Plywood Minnesota,** Minneapolis	**22**	19	16	**61**	10
71	**Levy's Lumber,** Louisville, Ky.	**21**	15	40	**84**	4
72	**Brewster's Lumber,** Providence, R.I.	**20**	23	(13)	**49**	4
—	**Gee Lumber,** Chicago	**20**	20	0	**80**	13
—	**Williams Brothers,** Atlanta	**20**	20	0	**32**	9
—	**Wolf Supply,** York, Pa.	**20**	15	33	**33**	24
—	**National Home Center,** Springdale, Ark.	**20**	11	82	**41**	4
—	**Thurman Industries,** Kirkland, Wash.	**20**	20	0	**98**	10
78	**Builderama,** Savannah, Ga.	**19**	15	24	**83**	6
79	**Great Plains Supply,** St. Paul, Minn.	**18**	22	(18)	**30**	42
—	**T. H. Rogers Lumber,** Oklahoma City	**18**	20	(10)	**67**	33
—	**A. C. Houston Lumber,** Wichita, Kan.	**18**	17	6	**30**	11
—	**General Building Products,** Medford, N.Y.	**18**	11	64	**41**	4
—	**Stine Lumber,** Sulfur, La.	**18**	15	16	**80**	6
84	**Hughes Lumber,** Tulsa, Okla.	**17**	19	(11)	**81**	10
—	**Lezzer Lumber,** Curwensville, Pa.	**17**	15	13	**49**	6
—	**M. L. Claster & Sons,** Bellefonte, Pa.	**17**	14	21	**49**	12
87	**San Diego Glass & Paint,** San Diego, Calif.	**16**	15	6	**90**	17
—	**Curtis Lumber,** Ballston Spa, N.Y.	**16**	24	(33)	**41**	6
—	**Olshan Lumber Co.,** Houston	**16**	16	0	**80**	2
—	**Terry Companies,** Tarzana, Calif.	**16**	16	0	**20**	12
—	**Lampert Yards,** St. Paul, Minn.	**16**	15	7	**46**	29
—	**Fullerton Lumber,** Minneapolis, Minn.	**16**	14	14	**40**	38
—	**Hancock Co.,** Casco, Me.	**16**	13	23	**46**	6
—	**Ziegler Building Centers,** Spokane, Wash.	**16**	13	21	**93**	7
95	**Century Lumber,** Braintree, Mass.	**15**	13	15	**50**	6
—	**Bellevue Builders Supply,** Schenectady, N.Y.	**15**	13	15	**34**	1
—	**Supply One,** Rancho Cordova, Calif.	**15**	0	—	**100**	3
—	**Baily Lumber,** Bluefield, W. Va.	**15**	15	2	**65**	17
99	**General Building Supply,** East Hartford, Conn.	**14**	14	0	**40**	4
—	**Babcock Building Supply,** Melbourne, Fla.	**14**	14	0	**50**	8
TOP 10 TOTALS AND AVERAGES		7,715	6,853	14	79	1,907
TOP 25 TOTALS AND AVERAGES		11,076	9,551	17	80	2,748
TOP 50 TOTALS AND AVERAGES		12,776	11,053	17	78	3,534
TOP 100 TOTALS AND AVERAGES		13,829	12,159	15	74	4,114

Source: Company data; *NHCN* research, *NHCN* chart

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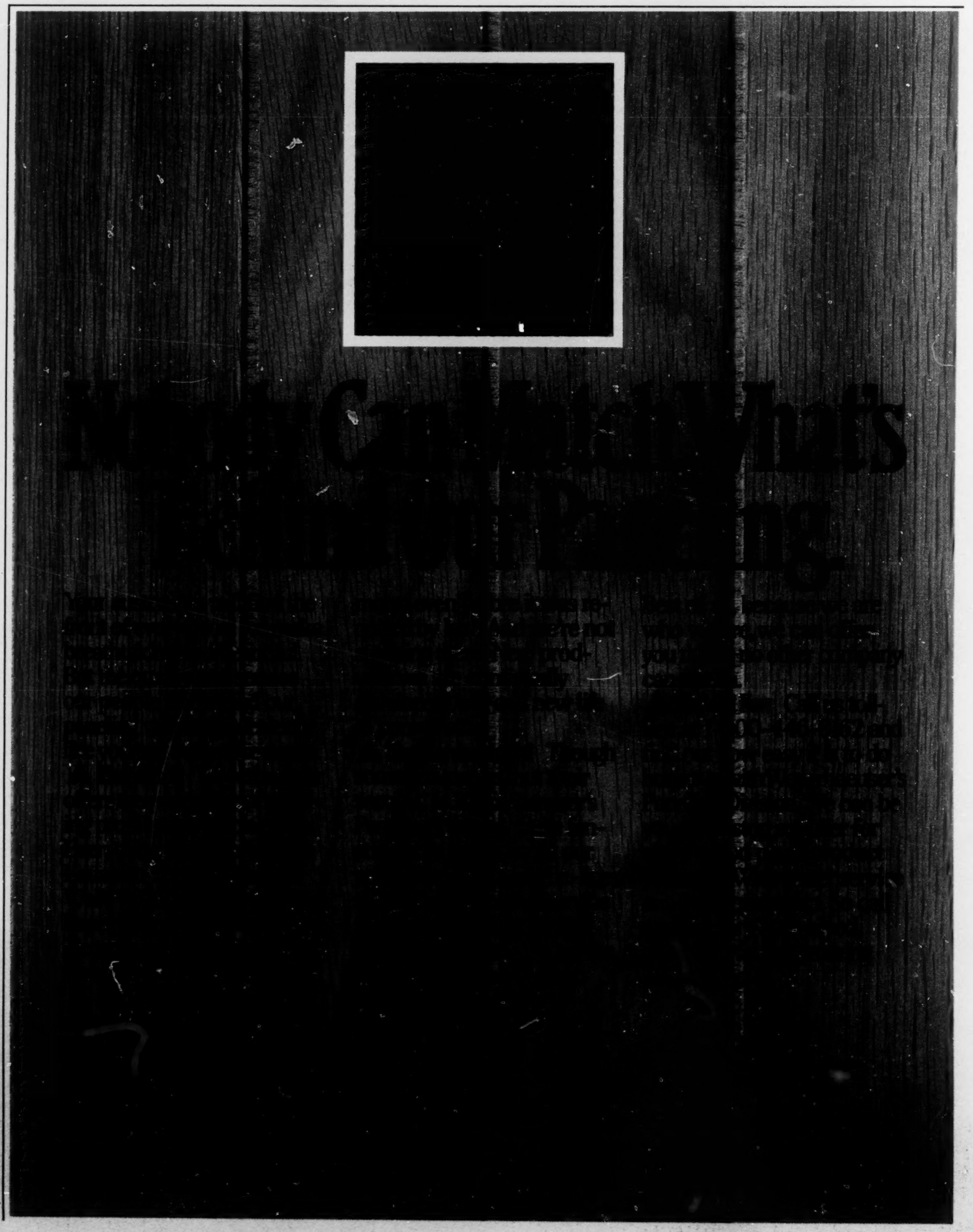
How the Top 150 Total Sales & Top 100 DIY Sales line up

Companies	Total Sales Rank	DIY Rank
A. C. Houston Lumber	58	79
Alexander Lumber	51	NR
All American Home Center	126	58
Anderson Lumber	43	58
Babbitt Brothers	110	NR
Babcock Building Supply	122	99
Bailey Lumber	133	95
Bellevue Builders Supply	76	95
Big Tin Barn	82	NR
Boise Cascade	33	58
Braver Lumber	110	58
Brewster's Lumber	87	72
Brown-Graves	54	NR
Budget Power	110	62
Builderama	133	78
Builders Square	12	18
Builders Supply	110	NR
Busy Beaver	58	41
Calcasieu Lumber	82	NR
Carter-Jones Lumber	23	28
Causeway Lumber	80	NR
Central Hardware	17	14
Century Lumber	110	95
Champion Lumber	132	NR
Chase-Pitkin	58	42
Church's Lumber	69	50
City Mill	97	54
Cofer Brothers	124	NR
Copeland Lumber Yards	44	47
Courtesy Home Centers	58	39
Cox Lumber	66	NR
Crissey-Fowler Lumber	107	NR
Curtis Lumber	91	87
Daniels-McCray Lumber	92	NR
Diamond Lumber	16	35
E. C. Barton	88	NR
East Coast Lumber	93	NR
Eclipse Industries	74	45
Edward Hines Lumber	40	51
84 Lumber	7	9
Elk Supply	110	66
Erb Lumber	26	30
Ernst Home Centers	18	15
Evans Products	5	4
Fagen's	109	NR
Fairfield Lumber	126	NR
Forest City	28	22
Foxworth-Galbraith	36	47
Fullerton Lumber	88	87
Ganahl Lumber	82	NR
Gee Lumber	129	72
General Building Products	76	79
General Building Supply	97	99
Gerrity Building Centers	29	NR
Goodman's Lumber	75	44
Great Plains Supply	58	79
Hacienda Home Centers	133	66
Haddonfield Lumber	108	NR
Hancock Company	97	87
Handy Andy	37	29
Handyman	22	19
Hayward Lumber	121	NR
Hechinger	9	8
Herndon Lumber	122	NR
Hill-Behan Lumber	39	46
HomeClub	19	16
Homecrafters Warehouse	27	26
Hughes Lumber	141	84
J. T.'s Home Centers	97	NR
Kempsville	97	NR
Knox Lumber	35	27
L&P Building Supply	97	NR
Lampert Lumber	47	43
Lampert Yards	97	87
Lanoga	14	21
Levy's Lumber	129	71
Lezzer Lumber	97	84
Lloyd Home & Building Centers	38	34
Lowe's Cos.	1	3
Lyman Lumber	50	NR
M. G. Building Materials	65	66
M. L. Claster & Sons	97	84
Mack Industries	51	NR
Manis Lumber (Wheeler's)	133	NR
Martin Home Centers	133	NR
Masten Lumber	110	NR
Mayfield Building Supply	95	NR
McCoy's	25	23
Meeks Building Centers	45	53
Menard's	13	13
Mid-Cape Home Centers	76	NR
Millard Lumber	126	NR
Mr. Goodbuys	40	31
Mr. HOW Warehouse	19	17
Nassau Suffolk Lumber & Supply	139	NR
National Home Center	73	72
National Lumber & Supply	32	24
National Lumber	69	NR
Neiman-Reed's Lumber City	54	40
O'Malley's	34	51
Olshan Lumber Company	143	87
Panning Lumber	110	NR
Parr Lumber	68	NR
Pay 'N Pak	15	11
Payless Cashways	3	2
Pergament Home Centers	23	20
Peter Kuntz	67	56
Ply-Marts	93	NR
Plywood Minnesota	96	70
Plywood Ranch	150	NR
Ray Lumber	58	NR
Rickel	11	10
Rigg's Supply	97	55
Robertson Companies	143	NR
Sackett & Peters	129	62
San Diego Glass & Paint	146	87
Scherer Brothers	69	NR
Scott's	150	NR
Scotty's	10	12
Seacoast Building Centers	48	NR
Seigle's Home & Building Centers	85	NR
Spahn and Rose Lumber	133	NR
Stambaugh-Thompson	57	38
Standard Supply & Lumber	110	NR
Star Lumber	69	62
Stevenson Lumber	88	NR
Stine Lumber	139	79
Stripling Blake Lumber	76	NR
Strober Brothers	40	56
Supply One	149	95
Sutherland	8	7
T. H. Rogers Lumber	124	79
TAPJAC Company	141	NR
Terry Companies	46	87
The Home Depot	6	5
The Paty Company	82	66
Thurman Industries	143	72
Triangle Building Centers	110	65
Valu Home Centers	51	36
W. R. Grace	2	1
Walker-Kurth Lumber	148	NR
Warners True Value	81	49
West Building Materials	19	25
Westlake Ace Hardware	49	37
Weyerhaeuser	31	33
Wickes Companies	4	6
Williams Brothers	56	72
Wolf Supply	58	72
Wolohan Lumber	30	32
Woodbury and Sons	110	NR
Ziegler Building Centers	147	87

Subsidiaries are ranked by parent companies
NR—not ranked



Coming in the May 19 issue of *National Home Center News*—The *NHCN* Annual Census of the Home Center Industry, Part Two

Perspectives

annual report

'Gang of Four' sets pace in warehouse market race

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Like the 1,500-meter trackman whose sprinter's kick falters on the home stretch, the warehouse phenomenon is beginning to slow down.

The head-to-head, two-year spurt that saw warehouse operators put units in all but four of the top 50 metropolitan markets by last year, is now a race led by the proverbial Gang of Four—Home Depot, Mr. HOW Warehouse, Builders Square and HomeClub—whose stores this year will account for 76% of all home center warehouse units in the nation if current projections hold.

But dotting the sidelines in increasing numbers are former competitors who have given up or are giving up the warehouse race to become spectators.

First, the total number of companies that operated warehouse units increased by one, from 18 to 19, even though some players were replaced by others during the course of the year.

Of the 223 warehouse units home center companies said in 1984 they would be operating by 1985, 206 actually made it.

So while the number of warehouse stores increased from 45 units to 122 between 1983 and 1984, a growth rate of 170%, last year's store count grew by 69%, with 84 new units.

New entrants on the warehouse scene

While the blowout race started by Home Depot in 1979 may now be slower and different in character, a few new players still entered the track in 1985. Others are expected to come on board in 1986.

DIY Home Warehouse—a chain formed from a partnership between Erb Lumber, Birmingham, Mich., and Eclipse Industries, St. Louis—opened two 90,000-sq.-ft. facilities in Cleveland and projects a third in 1986. Handy Andy, which has never operated warehouse stores, is expected to open three this year, having recently opened its first in Milwaukee.

Another new player was National Home Center. The rural northwest Arkansas-based company had operated three 18,000 to 30,000-sq.-ft. outlets, but opened a 280,000-sq.-ft. complex in North Little Rock, Ark.

Some seasoned veterans in the race are looking to double their warehouse presence. Pergament on Long Island operated four warehouse units last year, and is expecting to build four more in 1986. W.R. Grace's Home Quarters Warehouse expects to add three more stores this year to have a six-unit chain.

But others abandoned the warehouse concept

Although last year's store count was 84 units more than 1984's final tally, the number tells only part of the story because a number of companies abandoned the race at various stages of 1985.

Six companies jettisoned 22 warehouse stores at some point during 1985; Homecrafters Warehouse, currently in Chapter 11, alone closed 13 warehouses literally on the last day of 1985. These stores are currently in limbo, and aren't being operated.

Indeed, warehouse expansion was strong last year, but contraction happened simultaneously.

Other companies that are stepping away from the warehouse concept either totally or partially include Hechinger, which recently announced it would build no further warehouse stores and instead roll-out a new prototype.

Also, Forest City, early last year sold its five Chicago stores to Mr. HOW.

Lindsley has chosen to pursue a new merchandising approach that de-emphasizes lumber and building materials, and Sutherland closed its several Housemart warehouse stores.

But warehouse retailing has had a lasting impact even on more traditional operators. In borrowing aspects of the warehouse approach, these companies are blurring the very definition of how a warehouse looks and operates in 1985.

New twist to warehouse concept

At one time, the conventional wisdom was that a warehouse home center had 60,000 to 100,000 sq. ft. of selling space, relied on one-step distribution, featured H-frame racking, stocked 20,000 to 30,000 sku's and expected low margins but good turns to gross more than $1 million a month. "Bare bones" was the polite way to describe them, and perhaps the Gang of Four chains represent the truest adherents to the conventional practice.

But a few chains have blurred the definition.

While Forest City, Pay 'N Pak, Mr. Goodbuys, Scotty's and others are borrowing a few warehouse characteristics in some new locations, prototypes or retrofits, these companies are also mixing it up with various standard practices such as traditional margins, more esthetic racking and layout and internal distribution.

In fact, one industry analyst wondered out loud if Pay 'N Pak, which describes its 36 warehouse-style stores as "mini-warehouses," can legitimately fit into the warehouse definition.

The future belongs to the mighty

If projections for new warehouses and their derivations come true, about 90 new warehouse units will go up in 1986, increasing the total warehouse unit count 41% to an estimated 291 from 206.

Eight out of 10 of these stores will belong to the Gang of Four. Of this number, one in two will bear Builders Square's logo. The K mart subsidiary, based in San Antonio, is literally projecting plans to build a store a week this year.

Builders Square is expecting to open 50 new stores, and grow to 80 units from 30.

HomeClub, which in a pattern reminiscent of Builder's Square adoption by K mart, will rely on its new corporate parent Zayre—which purchased the chain for $151 million last year—to fuel an expansion drive that is expected to double its store count to 36 units this year.

Mr. HOW Warehouse, which was rife with rumors in 1985 that Service Merchandising, its parent, wanted to sell it, is calling for store growth from 27 units to 40.

Profitability questions

Home Depot, the only member of the Gang of Four without a lucrative corporate parent, will have the smallest store expansion, going to 59 units from 50. The company late last year abandoned plans to open nine stores in Detroit.

Despite their high volumes and big growth plans, the warehouse chains had rough sledding last year from a profit standpoint, which may affect their long range ability to expand. HomeClub lost $3.8 million in sales; and earnings at Home Depot dropped 46%, partially attributed to expenses incurred from opening new stores.

Builders Square's numbers aren't broken out by K mart, but some analysts, manufacturers and retail executives question the chain's profitability. And Mr. HOW's losses continue to haunt Service Merchandise, and are behind much of the talk about their wanting to place the chain on the selling block.

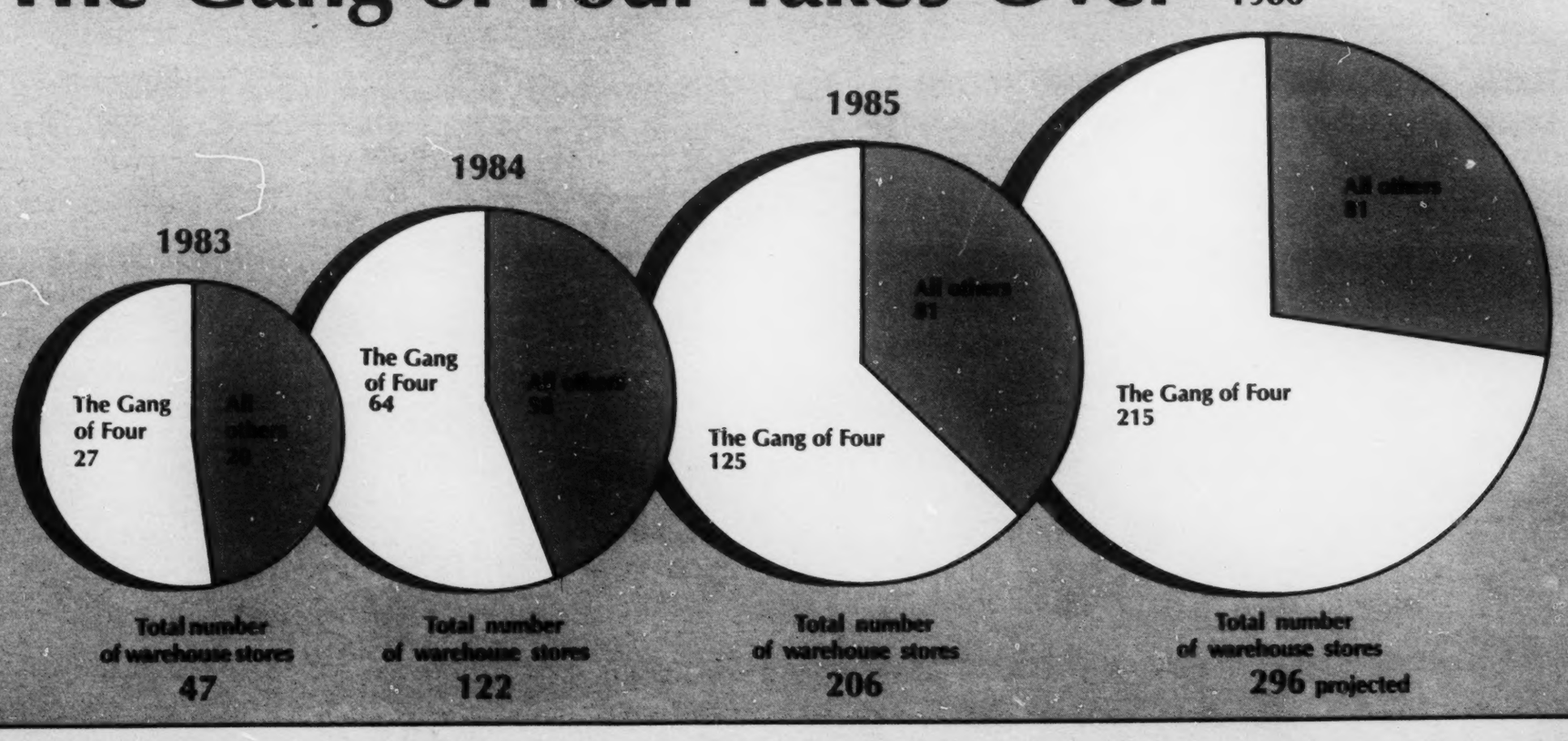
Total number of warehouse stores 1984-1986

Store	1984	1985	1986
Home Depot	31	50	59
Builders Square	15	30	80
Mr. HOW	12	27	40
HomeClub	6	18	36
Homecrafters	9	13	0
Grossman's	12	12	13
Pergament	4	8	14
Mr. Goodbuys	6	8	14
Hechinger	1	8	4
Pay 'N Pak	1	5	5
Moore's	4	5	5
Lindsley's	4	4	2
Houseworks	6	4	4
Home Quarters Warehouse	0	3	6
Housemart	2	3	0
Supply One	2	3	4
Busy Beaver	0	2	2
DIY Warehouse	0	2	3
National Home Center	0	1	1
Forest City	5	0	1
Builder's Emporium	1	0	0
Handy Andy	0	0	3
Rickel	1	0	0
TOTAL	122	206	296

Source: Company data; *NHCN* research, *NHCN* chart

The Gang of Four Takes Over

Since 1983, the Gang of Four's (Builders Square, HomeClub, Mr.How and Home Depot) piece of the warehouse pie has steadily grown to the point that by 1986, the four major warehouse chains will operate three of every four warehouse stores in the nation. Despite the increase in the number of stores overall, the Gang of Four's dominance is due less to their expansion, but more to other chains abandoning the format.



Source: Company data; *NHCN* research, *NHCN* chart

Perspectives

annual report

Wholesale buying groups turn in a 'tough' good year

By John Caulfield
NHCN staff editor

NATIONAL REPORT — "The toughest good year our company has ever gone through," was the way 1985 was described by Richard Ingram, dealer services president for Builder Marts of America, the Greenville, S.C., dealer services group. Gary Cosgrave, president of Pro Hardware, the 16-wholesaler marketing group, added that last year "was a year of change; that's putting it mildly."

Bad weather, weak farm and oil economies, and a shrinking dealer base all contributed last year to the strain placed on wholesale buying organizations to keep pace in the home improvement industry.

In total, the 18 leading hard-

(Continued on page 40)

Wholesalers buying groups

Rank	Company	Sales (mil. $) '85	Sales (mil. $) '84	%chg.	No. of wholesalers '85	No. of wholesalers '84	Affil. dealers/ total customers 1985 (1984)	% of home centers 1985	Wholesaler warehouses '85	Wholesaler warehouses '84	Aggregate Inv. (mil. $) '85	Aggregate Inv. (mil. $) '84	Sku's 1985	No of. employees '85	No of. employees '84	Advertising: corporate wholesaler 1985
1	**Liberty Distributors,** Des Plaines, Ill.	**859**	896	(4.1)	**23**	24	**2,835/32,000** (2,502/32,000)	**35**	**52**	52	**115**	118	**36,000**	**43**	42	**$3.4 mil./ $1 mil**
2	**Associated Building Materials,** Green Valley Ariz.	**750**	750	—	**50**	48	**none/25,000** (none/25,000)	**80**	**94**	95	NA	NA	NA	**4**	4	NA
3	**Pro Hardware,** Stamford, Conn.	**703**	658	6.8	**16**	16	**5,325/18,000** (5,100/18,000)	**38-40**	**27**	27	**105**	105	**22,000**	**26**	26	**$3 mil./ $1 mil.**
4	**Sentry Hardware,** Chicago	**550**	520	5.0	**12**	12	**NA/4,800** (NA/4,800)	**NA**	**20**	20	NA	NA	NA	**9**	9	**$7 mil./NA**
5	**Allied Hardware Services,** Chicago	**490**	440	11.0	**29**	29	**6,500/19,500** (6,300/19,200)	**6**	**32**	30	**57-61**	**53-58**	**22,500**	**6**	**6**	**$185,000/ $400,000**
6	**ValTest Distributors,** Chicago	**425**	400	6.0	**32**	32	**900/6,500** (900/5,000)	**15**	**42**	44	**40**	40	**13,500**	9	**9**	**$80,000/ $600,000**
7	**Associated Hardware, Buyers,** Gainesville, Ga.	**130**	130	—	**23**	24	**NA**	**NA**	**23**	24	**NA**	NA	NA	**4**	4	NA

The Top Hardware, Lumber & Building Materials Buying Groups

Rank '85	Rank '84	COMPANY	SALES Total sales (mil. $) '85	Total sales (mil. $) '84	% chg.	Lumber & Building mat'ls as a % of sales '85	Lumber & Building mat'ls as a % of sales '84	STORES Dealer stores '85	Dealer stores '84	No. of home centers '85	No. of home centers '84	HC sales as % of total '85	HC sales as % of total '84	INVENTORY ANALYSIS No. of warehouses (tot. sq. ft.) 1985	Min./max. inventory (mil. $) '85	Min./max. inventory (mil. $) '84	Stock keeping units '85	Stock keeping units '84	Sales to inventory ratio '85	Sales to inventory ratio '84	% of sales from drop shipment '85	% of sales from drop shipment '84	CHARGES % charges to dealers out of: • warehouse • pool relay • drop ship '85	CHARGES '84	EMPLOYEES No. of employees 1985
1	1	**Cotter & Co.,** Chicago	**1,700**	1,640	3.7	**5.3**	5.3	**7,000**	7,000	**1,500**	1,500	**30**	30	**13 (5.07 mil.)**	**169**	160	**32,000**	28,000	**4.9**	4.9	**25**	30	**5-15 6 2**	5-12 6 2	**3,500**
2	2	**Ace Hardware,** Oak Brook, Ill.	**1,009**	926	8.7	**5.0**	5.0	**4,710**	4,640	**1,600**	1,594	**41**	40	**12 (4.3 mil.)**	**105-145**	85-150	**39,000**	38,000	**5.4**	5.5	**32**	33	**10 6 0-2**	10 6 0-2	**2,100**
3	3	**Hardware Wholesalers Inc.,** Fort Wayne, Ind.	**688**	637	8.1	**30.0**	30.0	**2,650**	2,500	**1,600**	1,552	**50**	50	**4 (1.7 mil.)**	**46-55**	48-53	**35,000**	35,000	**13.0**	11.0	**54**	50	**no adder up depending on cost of handling**		**670**
3	4	**American Hardware Supply,** Butler, Pa.	**688**	619	11.2	**29.9**	28.4	**3,700**	3,800	**1,405**	1,420	**40**	41	**5 (1.7 mil.)**	**53-63**	47-59	**34,000**	30,000	**5.0**	4.7	**26.8**	27.0	**5-15 10 0-3**	5.15 10 0-5	**903**
5	5	**Lumbermen's Merchandising Corp.,** Wayne. Pa.[1]	**658**	548	20.0	**80.0**	80.0	**550**	550	**50**	50	**45**	45	**None**	—	—	—	—	—	—	—	—	—	—	**110**
6	6	**Builder Marts of America,** Greenville, S.C.[2]	**555**	498	11.4	**75.0**	75.0	**1,610**	1,359	**240**	140	**10**	10	**None**	—	—	—	—	—	—	—	—	—	—	**185**
7	7	**Coast-to-Coast,** Minnetonka, Minn.[3]	**313**	310	1.0	**NA**	NA	**1,075**	1,079	**NA**	NA	**10**	10	**3 (1.1 mil.)**	**50**	50	**28**	28,000	**NA**	NA	**10**	10	**NA**	NA	**900**
8	9	**Central Builders Supply,** Sturgis, Mich.	**157.8**	122.0	29.3	**100**	100	**508**	400	**125**	75	**80**	60	**None**	—	—	—	—	—	—	—	—	—	—	**41**
9	10	**ENAP,** Newburgh, N.Y.	**148**	113	30.9	**100**	100	**118**	115	**89**	62	**85**	80	**None**	—	—	—	—	—	—	—	—	—	—	**32**
10	8	**Allied Building Stores,** Monroe, La.	**123.0**	140.0	(12.1)	**80**	80	**150**	150	**25-30**	20-25	**25**	20	**1 (65,000)**	**1.2**	1.2	**4,500**	4,500	**10**	10	**92**	90	**4.5 NA 8**	6 NA 15	**50**
11	13	**Progressive Affiliated Lumbermen's,** Grand Rapids, Mich.	**100.4**	87.0	15.4	**100**	100	**191**	176	**189**	100	**95**	80	**None**	—	—	—	—	—	—	—	—	—	—	**15**
12	NA	**Philadelphia Reserve Supply,** Croydon, Pa.	**100.0**	80.0	25.0	**100**	100	**180**	165	**144**	132	**70**	70	**2 (90,000)**	**1.8-3**	1.8-3	**6,000**	6,000	**6.0**	6.0	**75**	75	**17-20 8-10 2.5**	17-20 8-10 2.5	**10**
12	11	**Our Own Hardware,** Burnsville, Minn.	**100.0**	105.0	(4.8)	**10-12**	11.5	**996**	1,000	**425**	400	**35-40**	35-40	**2 (710,000)**	**14-17**	17-22	**35,000**	35,000	**5.3**	5.1	**32**	30	**7-11 6 2**	7-11 6 2	**305**
14	12	**United Hardware Distributors,** Minneapolis	**93.0**	91.0	2.2	**NA**	NA	**544**	550	**30**	30	**5**	5	**1 (420,000)**	**10-15**	10-15	**33,000**	33,000	**5.1**	5.1	**12-13**	13	**2-11 6 1**	7-11 6 2	**280**
15	NA	**Independent Builders Supply Association,** Smithfield, N.C.[4]	**72.6**	59.9	21.0	**85**	85	**91**	85	**64**	NA	**60-70**	60-70	**None**	—	—	—	—	—	—	—	—	—	—	**9**
16	15	**Gamble's,** Minneapolis[5]	**51.0**	53.0	(3.0)	**7.0**	7.0	**700**	800	**200**	250	**55**	65	**2 (400,000)**	**10-17**	11-15	**20,000**	20,000	**4**	4	**8**	8	**NA NA NA**	NA NA NA	**225**
17	16	**Handy Hardware Wholesalers,** Houston	**43.0**	46.0	(6.5)	**20**	20	**546**	504	**135**	135	**25**	25	**1 (100,000)**	**5-6**	5-6	**19,000**	19,000	**6.01**	5.74	**23.0**	25.0	**9 5 1**	9 NA 1	**114**
18	17	**Connecticut Hardware Co.,** Cromwell, Conn.	**9.4**	9.0	4.6	**none**	none	**52**	50	**5**	5	**5**	3	**1 (35,000)**	**1-1.3**	0.7-1.1	**30,000**	29,000	**6.2**	7.0	**35**	25	**NA NA NA**	NA NA NA	**16**

[1]ELMCO's totals are *NHCN* estimates
[2]Builder Marts is an employee-owned dealer services organization
[3]Coast-to-Coast supplies franchised dealers. On Dec. 31, 1985, the company was acquired from Household International by HMI Holding Inc., an investment group. The above figures are unaudited.
[4]IBSA has 61 dealer-stockholders
[5]Gamble's merged with Our Own Hardware January 1986
NA—not available
Source: Company data, *NHCN* research, chart

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A 'tough' good year characterizes buying groups '85

(Continued from page 37)

lines and building products buying groups generated $6.6 billion in volume, an 8.7% increase over what these same companies did in 1984. The top six companies accounted for 80% of this total.

However, these buying groups saw their dealer membership grow by only 1.7% last year to 25,356. Nearly 80% of these dealers are buying for the six largest companies on *NHCN*'s annual listing.

The seven wholesaler marketing groups saw virtually flat growth in volume, at $3.8 billion, and distributor membership, at 185.

Looking for business anywhere

Many wholesaler buying groups, especially those that are hardlines oriented, would agree with Cotter & Co.'s president Dan Cotter that 1985 was "dull and flat, because the economy was in the toilet, even though no one wanted to see that."

Even at Ace Hardware, whose profits increased by 13% last year, vp-sales Bill Loftus noted, "I can't remember business being so erratic in different markets."

For wholesale buying groups and marketing firms, 1985 was a year of consolidation, cost-control and, for some loss of business, even bankruptcy, particularly for those servicing the oil and farm states.

Wholesalers attempted to capture new business any number of ways. Sentry Hardware, which moved its offices to Chicago from Cleveland last year, spent around $7 million on corporate advertising to tie dealers into the company's twenty-fifth anniversary.

Other suppliers sought to improve their services and lower their shipping costs to become more attractive as distributors to home center stores.

And a number of these were successful: Liberty Distributors, the Des Plaines, Ill., national organization, recently signed an agreement to ship hardlines to 84 Lumber, through nine of its affiliated distributors. One of ValTest Distributors' wholesalers signed up Handy Andy and Courtesy as dealers last year. Allied Hardware Services, also in Chicago, was able to sign up the Milwaukee-based Hardlines Marketing distributor, which sells to Edward Hines Lumber and 208 Wickes Lumber units.

American Hardware Supply lowered its drop-ship charges to dealers to 3% from 5% last year; Allied Building Stores reduced that charge to 8% from 15% a year ago; United Hardware Distributors cut drop ship charges to 1% from 2%.

Connecticut Hardware was able to increase its drop ship business to 35% of its total sales last year, from 25% a year ago. The company aggressively pushed drop shipment last year because it only has a 35,000-sq.-ft. warehouse "and we need to expand our drop ship business just to grow," said Victor Lukawsky, Connecticut's general manager.

Retrofit programs add dealership

Also, 1985 saw many of the hardlines buying and marketing groups getting their in-store remerchandising and remodeling programs in gear (*NHCN*, Aug. 12, 1985), in an effort to make their dealer-members more competitive with full-line home centers.

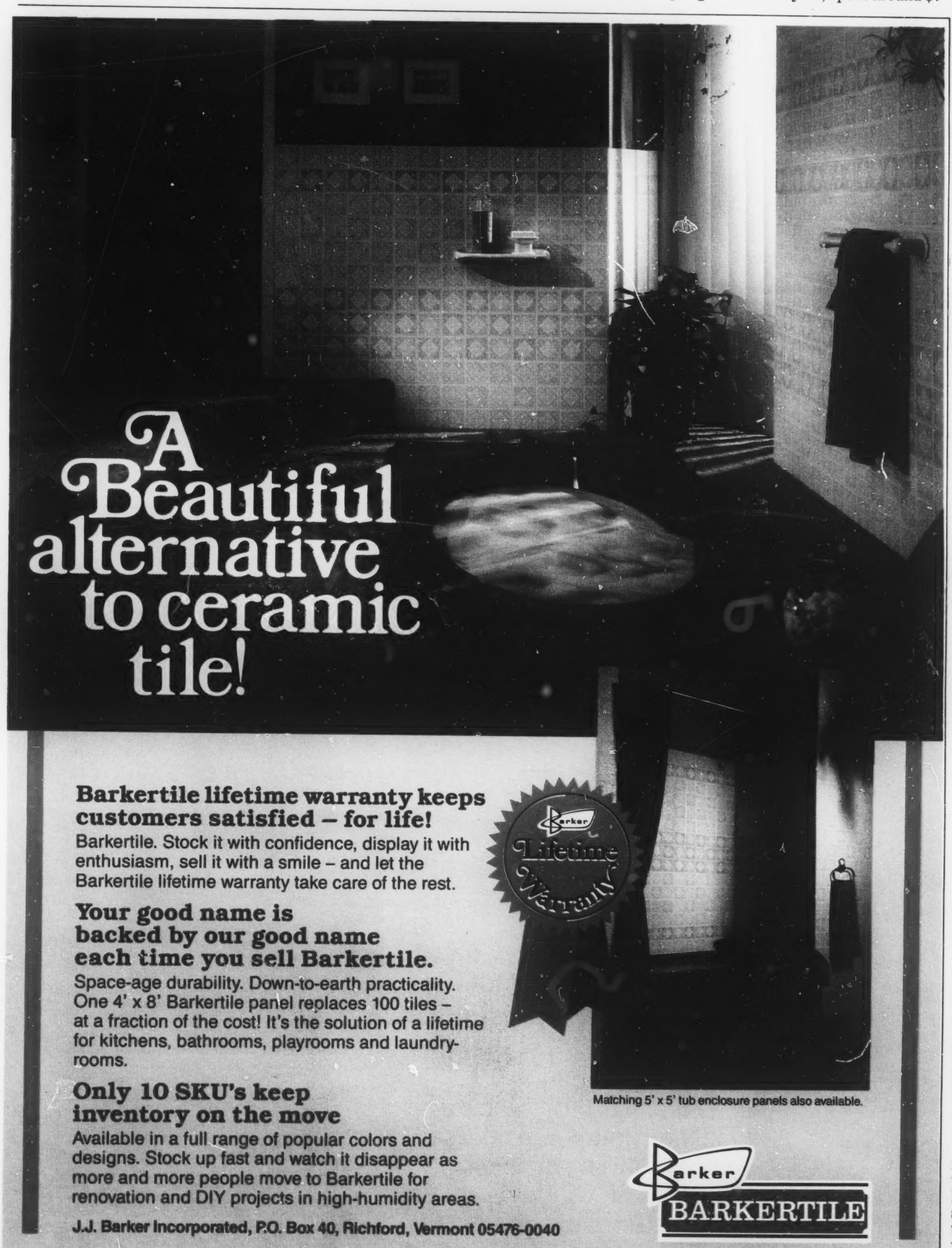
This is especially important for the buying groups, because the number of hardware dealers out there appears to be shrinking, and the wholesalers are using their programs aggressively to tie dealers more closely to the group.

Only a handful of buying groups actually increased their dealer count last year, led by Builder Marts, which added 250 retailers, and Hardware Wholesalers, Inc., which grew by 150 dealers. Central Builders Supply signed up 108 new dealer stores, while Ace Hardware added another 70.

Growth by 'attrition.'

However, the competitiveness in the market left some wreckage in its wake: Pro Hardware lost Belknap (and subsidiary Stratton Baldwin) to bankruptcy; S & T Hardware also went bankrupt, leaving Liberty with one less

(Continued on page 42)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Tough times bring year of change for buying groups

(Continued from page 40)

member. Sullivan Hardware, in South Carolina, closed its doors, reducing Associated Hardware Buyers distributor list by one.

This trend is not likely to stop this year. "You look at the top 10 independent hardlines wholesalers, and I'd guess five or six are in financial trouble right now," said Russell Meeks, a vice president with ValTest in Chicago.

"Mismanagement in this industry has followed a pattern of too many companies trying to expand their dealer business beyond what they can handle as a fixed expense in inventory.

"I think our growth this year will primarily be from attrition," said Meeks, suggesting that some consolidation would occur.

Denver Reserve Supply went under after 57 years of business; Reserve Supply in Minneapolis, formerly a dealer-owned hardlines co-op, went private when it was purchased by API Supply. Coast to Coast was purchased last Dec. 31 from Household International from HMI Holding Inc., an investment group that includes former management, the Bass Brothers group and Donaldson, Lufkin and Jenrette.

Some wholesalers joining forces

Perhaps the most prominent signal of what some buying groups must do to stay in business was the merger of Our Own Hardware and Gamble's late last year (*NHCN*, Jan. 27). Each company had been struggling, and the companies' managers believe the combination of forces will allow Our Own to offer stronger services and product assortments.

Other "mergers" included an agreement between Central Builders and Pro Hardware to supply each other's dealers with, respectively, building products and hardlines. Progressive Affiliated Lumbermen's set up a similar arrangement with L.G. Cook, one of Liberty's distributors.

"We're trying to compete with the big boys, but we had to be able to offer a fuller range of merchandise to expand our dealership," said PAL's general manager Bill Danzig, who estimated his company's volume could increase by $6 million to $8 million this year just from this agreement.

While it is unlikely that the nation's farm and energy dilemmas are going to solve themselves this year, most wholesalers appear to be optimistic about increasing their sales and profits in 1986, based on what for many was exceptional growth in the first quarter.

More optimism about 1986

"Business, as we've discovered, is not going to walk in the front door by itself anymore," said Laddie Woods, president of Allied Building Stores, whose sales dropped 12% due to Louisiana's depressed economy. "But in some of our markets, profitability was surprisingly good, and I'm finding a lot of enthusiam among our dealers about getting new business this year."

> *'After 2½ years of this [farm economy] crap, I believe people are about ready now to start fixing things up again'*
>
> **—Merl Heggestad,**
> *vp-marketing,*
> *United Hardware Distributors*

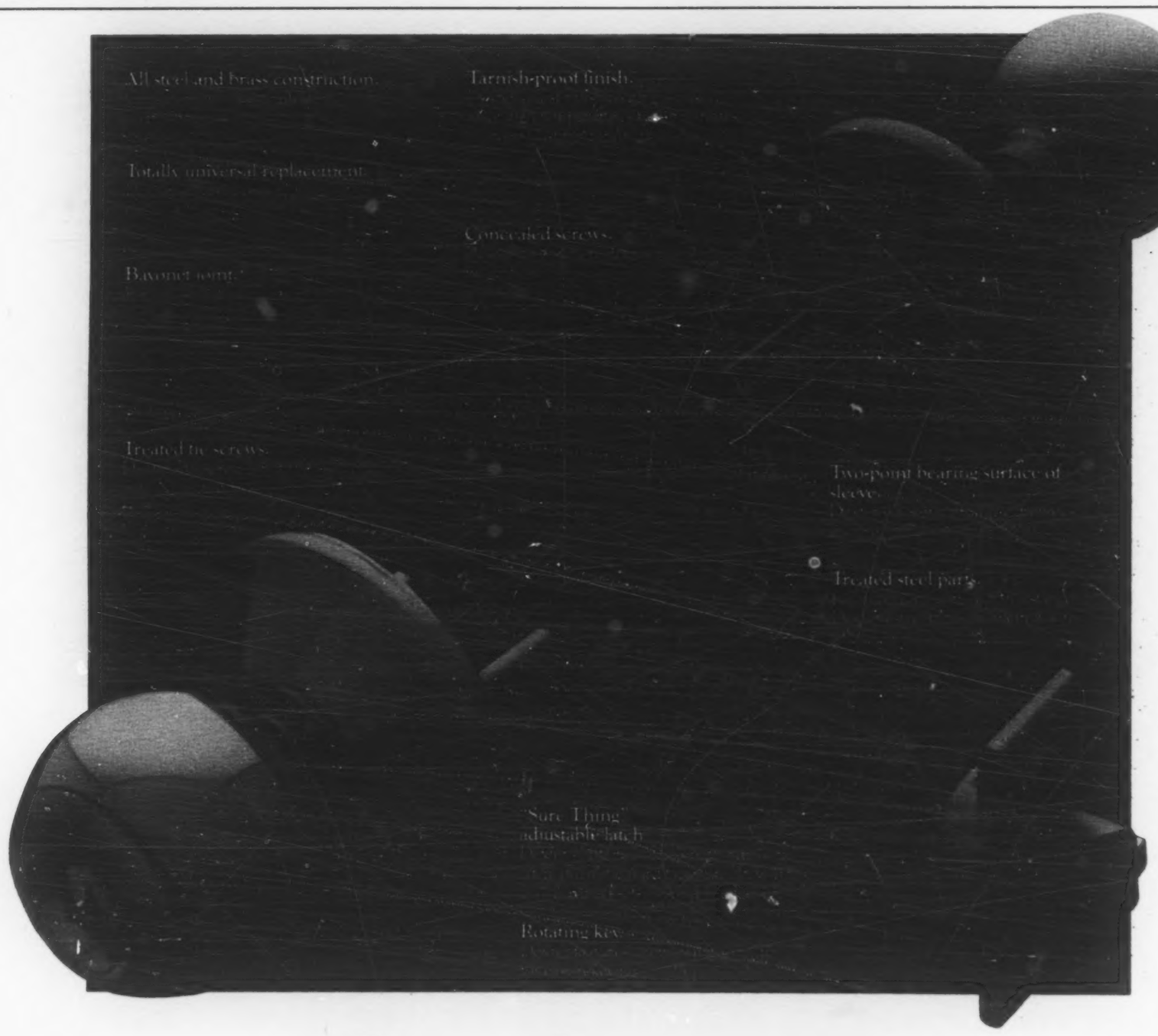
"After 2½ years of this crap, I believe people are about ready now to start fixing things up again," added Merl Heggestad, vp-marketing for United Hardware Distributors.

Indeed, buying group executives report phenomenal growth in the first three months of this year. For instance, BMA did $67.5 million in business at its three-day dealer buying show in February, compared to $51 million a year ago, and its sales in January and March were up 50% and 25%, respectively.

Cotter said his co-op's dealer signups so far this year were "significantly higher" than the same period a year ago, prompting the company to project an 8% sales gain in 1986.

Liberty, according to its president Bill Hooten, plans to increase the number of promotions its offers wholesalers to 11 this year, from 9 in 1985 when it distributed 37 million sales circulars. Pro Hardware and Our Own are two of several buying groups anticipating greater participation in their respective store retrofit and remerchandising programs this year, with Our Own projecting that 25 more dealers will convert to its "How-To" format.

Even Handy Hardware Wholesale, 55% of whose dealers are within a 100-mile radius of a depressed Houston market, is setting in motion its plans to construct a new 200,000-sq.-ft. warehouse to facilitate more growth over the next few years.



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Lowe's breaks $2 bil. sales mark in '85

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Despite a 3% decline in earnings, from $61.4 million in 1984 to $59.7 million last year, Lowe's had a strong 1985. Total sales were up 23%; comparable store sales rose 10%.

The North Wilkesboro, N.C.-based company recorded $2.072 billion in sales in 1985, the first home improvement company to break the $2-billion sales mark.

"It was the second greatest year in earnings," asserted Cliff Oxford, vp-corporate relations, who added that 1985 also marked Lowe's largest acquisition, 25 former Boise-Cascade stores.

In 1984, Lowe's chairman Bob Strickland said 1985 would be an investment year for the industry's number one company. It was.

Lowe's opened its distribution center in Atlanta and added 38 new units. It also closed its four stores in Houston, completely withdrawing from that market.

By the end of 1986, Lowe's projects it will have 300 units.

Last year, Lowe's recorded a 22% increase in the company's total square footage, from 2,982,959 sq. ft. in 1984 to 3,641,762 sq. ft. in 1985.

Again, retail sales exceeded those for the company's builder business. Of the $2.072 billion total sales, 52%, or $1.087 million, were in retail sales, an increase of 23%. Sales to professionals rose 22% in fiscal 1985.

The fiscal year 1985 ended with some other outstanding changes at Lowes, namely the early retirement of Ross Burgess, executive vp-gmm, and the resignation of Clayton Griffing, senior vp-finance, which preceeded a realignment of the company's top management, and the promotion of Wendell Emerine to executive vp.

Grace puts retail group on selling block

By an NHCN staff editor

NEW YORK — W. R. Grace ended 1985 with the surprise announcement that it was putting its entire 660-unit retail group—including its 319-unit home center division—on the selling block.

Overall, W.R. Grace's home centers—operating under the Channel, Ole's, Orchard Supply Hardware, Home Quarters Warehouse, House Works, Allwood, Cashway, Handy City and Handy Dan names—suffered last year, hurt by heavy competition and discounting.

In 1985 Grace's home centers' posted a 6% increase in sales to $1.394 billion from $1.309 billion last year.

Grace ended the year with six fewer units than it had at year's end in 1984, reflecting intense market competition.

Grace decided to sell the retail group as part of a company restructuring after it paid $595.5 million to buy back 13.6 million shares of its common stock, a 26% stake, from Deutsche Bank, West Germany's largest bank.

On April 9, 1986, Grace told a meeting of chemical industry analysts that it intends to sell a major part of its retail business to a group headed by financiers David Mahoney and Harold Geneen for some $500 million.

Grace made several key personnel moves at the divisional level in 1985. At San Jose, Calif.-based Orchard Supply Hardware, Thomas Thornton Jr. was promoted to president and ceo on Sept. 1, replacing Loren Smith, who became chairman.

At Grace Home Centers West, Sean F. Lee was named president and ceo on Oct. 31, replacing Harvey G. Knell, who became chairman.

On Feb. 28, Grace rolled out its two-unit Home Quarters Warehouse project and spent the balance of the year fine-tuning the "R & D" project headed by HQ President Frank Doczi.

Ole's debuted a large-store prototype called "Ole's Plus," a 60,000-sq.-ft. superstore which opened in Claremont and Riverside, Calif., and Las Vegas, Nev.

Payless rebounds; sales up 18% in '85

By an NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways rebounded from its weak earnings performance in 1984 when net income fell 9%. Last year, Payless' earnings rose 3% to $38 million on sales of $1.39 billion, representing an increase of 18%.

That volume figure places Payless as the third largest home improvement retailer in the industry, just a hair behind W. R. Grace's home center division.

The 169-unit company built and opened 14 new stores last year, purchased four Kansas City-based stores from Handy Dan and initiated a program to renovate seven Indianapolis units and the distribution center there.

In total the company made $83.5 million in capital expenditures (down from $98.5 million in 1984), with $43 million of that coming from a 2.3 million share stock offering the company made in February. Payless has announced plans to open 12 stores in 1986, including its first entry into Arkansas and New Hampshire.

Company closes first store

But the company also closed six stores last year in Iowa, Minnesota, Denver and Tucson, Ariz. In December, Payless sold off five smaller stores in Iowa and Minnesota to United Building Centers, Lanoga's midwestern chain. And in 1986, the company plans to open 12 new units, but it is also consolidating its market coverage in Denver and Tucson, Ariz., by closing units and moving into larger, more strategically located stores.

A typical Payless unit is now 27,000 sq. ft. of inside selling space and 45,000 sq. ft. of outdoor lumberyard. The chain's average sales per store rose to $8.1 million from $7.5 million in 1984 (excluding units that were closed last year), or $301.30 per square foot, versus $293.87 the previous year.

Payless went through a series of management changes last year, some with possible long-range implications. Last May, long-time executive Harlon Seats left the company, disgruntled at his apparent reduction in responsibilities following the hiring of John Herron as the company's executive vp-operations. Seats was named president of Dallas based Diamond Lumber in January.

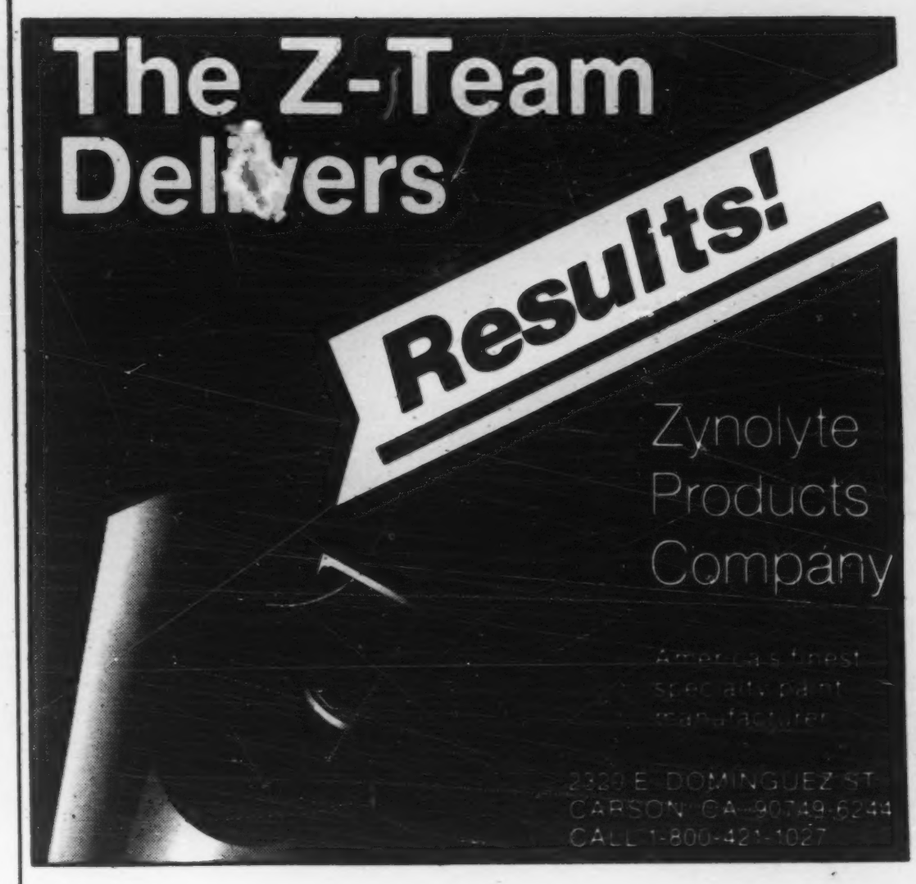
Herron was charged with improving Payless' "execution" and "discipline," two things David Stanley—who was promoted to the office of chairman by the company's board of directors—felt the company was lacking in 1984. Herron and Stanley spoke of "new systems" that were to be installed into the company that essentially would focus on a greater degree of centralization for the chain's merchandising and operations.

Payless took steps last year to protect itself against an unfriendly takeover by changing some of its articles of confederation.

From a merchandising and marketing standpoint, Payless made a number of significant changes last year, including the expansion and improvement of its kitchen and bath department chainwide to mirror the presentation made at Somerville Lumber, its Massachusetts-based subsidiary that alone did $93 million in volume last year, $48 million out of its flagship store.

In addition, Payless also expanded its lawn and garden selection in several of its Sunbelt units, particularly in Phoenix and in its Lumberjack units in California.

Payless also continues to be the biggest spender for television advertising in the industry. Last year, its stores spent more than $6 million on TV, 11% higher than in 1984.



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Top Gainers in $ of Total Sales		
Rank	Company	Sales Increase (Mil $)
1	Lowe's Cos., North Wilkesboro, N.C.	383
2	The Home Depot, Atlanta	268
3	Payless Cashways, Kansas City, Mo.	210
4	Mr. HOW Warehouse, Margate, Fla.	198
5	HomeClub, Fullerton, Calif.	180
6	Builders Square, San Antonio	175
7	Wickes Cos., Santa Monica, Calif.	95
8	W. R. Grace, New York	85
9	Hechinger, Landover, Md.	74
10	Menard's, Eau Claire, Wis.	65
11	Sutherland, Kansas City, Mo.	53
12	Erb Lumber, Birmingham, Mich.	40
—	Mr. Goodbuys, Philadelphia	40

Source: Company data; *NHCN* research, *NHCN* chart

Evans enters Chapter 11 in '85 after topping $1 billion in 1984

By an NHCN staff editor

MIAMI — Last year will be remembered as the most turbulent in the history of Evans Products Co.

After the company's Retail Group went over the $1 billion sales mark for the first time in 1984, the same group went through the first three months of last year barely able to fill its shelves, as vendors stopped shipping Evans' chains because they weren't being paid.

Finally, Evans Products, with more than $700 million in debt, took several of its subsidiaries—including its retail chains—into bankruptcy. The company spent the next nine months arguing with its trade creditors and bank lenders over a viable plan for reorganization.

Several key executives—including Monford Orloff, 71, Evans' former chairman; Hank Kirschner, general manager of Evans' Lindsley chain; and Dick Daner, vp-operations of its Moore's chain—either retired or resigned to take jobs at other chains.

And because of its enormous debt, Evans was forced to sell off some of its retail assets: it sold its four Steel City units to 84 Lumber; and it either sold off or shuttered its Bargain Outlets in Wisconsin and its Alamo home centers in Texas.

Evans' retail chains—Grossman's, Lindsley, Moore's, and its California division—did experience a sales decline of 8.4% to $980 million, and may report a net loss when the company's financial numbers are released this month.

'Because of the Chapter 11 situation, the company has been compelled to cut costs that included closing many of its unprofitable stores.'

But the chain appears to have come through its travail a stronger entity. Because of the Chapter 11 situation, the company has been compelled to cut costs that included closing many of its unprofitable stores. Evans reduced its store count in 1985 by 30 units to 319. The chains have also improved their profitability from a $13 million loss in the first half of 1985 to a projected near break-even point for the year.

In addition, the company took steps to make its stores—which, in some cases, were languishing from neglect—far more competitive through improved store presentation and product assortment.

For instance, the Lindsley operation last year began retrofitting all its 43 stores, and remerchandising them to deemphasize building products in favor of a broader hardlines and lawn and garden mix.

Several of Grossman's warehouse units have been remerchandised to feature more "decorator" items such as paint and wallpaper, that offer higher margins and appeal to a broader consumer base. And Moore's warehouse units started carrying a much wider breadth of impulse items. Its 60,000-sq.-ft. Raleigh, N.C., store is divided with "home care" merchandise on the right hand side of the store, building products on the left.

The management of Grossman's and Moore's has remained virtually intact.

And, if the recently negotiated plan for reorganization between the company and the banks finally goes through, Mike Grossman will return as president of the retail stores. Posner will lose control over the Retail Group.

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Top Gainers in % of Total Sales		
Rank	Company	(% Change)
1	Mr. HOW Warehouse, Margate, Fla.	381
2	HomeClub, Fullerton, Calif.	257
3	Builders Square, San Antonio	92
4	Mr. Goodbuys, Philadelphia	80
5	The Home Depot, Atlanta	62
6	Stevenson Lumber, Stevenson, Conn.	60
7	General Building Products, Medford, N.Y.	57
8	East Coast Lumber, East Hampstead, N.H.	54
9	Hacienda Home Centers, Albuquerque, N.M.	50
10	National Home Center, Springdale, Ark.	48
11	Triangle Building Centers, Quakertown, Pa.	43
12	Levy's Lumber, Louisville, Ky.	39
13	Eclipse Industries, St. Louis	32
–	National Lumber, Warren, Mich.	32
15	Woodbury and Sons, Glens Falls, N.Y.	30

Source: Company data; *NHCN* research, *NHCN* chart

Expansion expenses take toll on Home Depot's bottom line

By an NHCN staff editor

ATLANTA — When the roof caved in on Home Depot's West Hollywood, Fla., store last month, one might conclude that the collapse also was symbolic of the high-flying company's return to the ground in 1985.

Home Depot opened 19 warehouse home centers in 1985, and saw its revenues increase 62% to $701 million, placing the 50-unit chain sixth in total sales among all home centers. It entered southern California and Houston for the first time last year. It initiated its own "Ohio Forge" private label to give its stores more flexibility when buying import merchandise.

While these numbers and actions would be seen by most chains as superlative accomplishments, Home Depot actually had a subpar year. The chain's earnings in 1985 declined 42% to $8.2 million, as expansion-related expenses took their toll; the chain experienced its first decline in comp-store sales in the second quarter, and comp-store volume grew only 2.3% for the year; the company broke ground for its first store in Detroit, but wound up selling its property for a proposed five units in that market to Pace Membership Club a few months ago, and announced that it was scaling back its expansion plans for 1986 to only 9 stores, down from 20.

"It was a very tough year, and I'm glad it's behind us," said Ronald Brill, Home Depot's vp-finance.

Home Depot started 1985 heady and cocky, having just come off the best earnings year in its history.

In late January, the chain opened its western headquarters in Fullerton, Calif., which would serve as the launching pad for rapid expansion in the West. Such expansion included store openings in San Bernardino, Calif., and a second store in Tuscon, Ariz.

A few weeks after opening its regional office, Home Depot reopened the Bowater Home Center units in Dallas it had purchased in November 1984 for $40 million. And later in the year, the company opened its first two warehouse in Houston.

Throughout the first half of 1985, the company began beefing up its management team—hiring executives from the ranks of such chains as Builders Emporium, Dixieline and Wickes Lumber—in anticipation of nationwide store growth.

However, the chinks in Home Depot's armor began to manifest themselves—possibly coincidently—around the same time Pat Farrah, one of the chain's founding members and its executive vp, retired in late March to a life of sailing and enjoying the money he had earned from the company's seven-year growth.

Farrah is generally recognized as being the merchandising genius behind the chain's development.

The Bowater stores, even under the Home Depot mantle, continued to be problematic from a profit standpoint. And with Home Depot growing so rapidly, the cost of opening new stores was beginning to have a negative impact on the company's net income. Consequently, Home Depot's stock price on Wall Street began to slip as earnings declined.

Part of Home Depot's problem was that the chain was becoming a victim of its own success. It found itself going head-to-head against warehouse competitors such as Builders Square and The HomeClub (each currently with a corporate parent funding its growth), and that combat did little to bolster Home Depot's profitability. Last summer the chain, in one example of what competition dictated, was offering a rebate to

(Continued on page 59)

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84's high-growth expectations grounded as '85 sales drop 13%

By an NHCN staff editor

EIGHTY FOUR, Pa. — The high-flying sales and store expansion plans 84 Lumber Co. had in 1984 were grounded by reality in 1985, as the chain's sales declined an estimated 13.1% to $652 million.

A year earlier, the company's chairman, Joe Hardy Sr., announced his goal to turn 84 Lumber into a $3 billion chain by the year 2000 through acquisition and internal improvements that included massive renovation of its stores and the introduction of computerization.

The company has retrofitted many of its stores to make them more appealing to DIY consumers.

The last part of the plan was completed, as the chain's stores were put on-line with its $30 million computer system, finishing off a two-year program. But while the company did buy four Steel City units in Pittsburgh from Evans Products, Hardy has yet to make the major acquisition he envisioned.

The company has retrofitted many of its stores to make them more appealing to DIY consumers. But 84 appears to be reverting again to its contractor-oriented roots. It began offering free delivery to builders, and reportedly has been beefing up its commodities inventory to attract more contractor business, from which it gets 40% of its sales (*NHCN*, Jan. 27).

The company closed a number of its stores in some western markets last year, although it increased its total store count by 10 units to 375. George Handyside, a vice president of the chain, told *NHCN* that 84 intended to open another 15 stores this year, mostly to fill in existing markets.

Of last year, Handyside said that "it's never a good year when you have a sales decline. But our margins actually rose in 1985 and, considering the competition we're up against, that was a good sign." Handyside also said that 84's net income—which, reportedly, is around 2.5% to 3% of sales—was also "healthy" last year.

Jay Bissell, the chain's controller, indicated that additional cost-cutting measures could be in the company's future to bolster profitability this year.

Top Losers in $ of Total Sales		
Rank	Company	Sales Decrease ($)
1	Boise Cascade, Boise, Idaho.	(260)
2	84 Lumber, Eighty-Four, Pa.	(98)
3	Evans Products, Miami	(90)
4	Edward Hines Lumber, Chicago	(48)
5	Handyman, San Diego, Calif.	(41)
6	Walker-Kurth Lumber, Houston	(32)
7	Scott's, Linthicum, Md.	(25)
8	Busy Beaver, Pittsburgh	(23)
9	Big Tin Barn, Diboll, Tex.	(18)
10	Calcasieu Lumber, Austin, Tex.	(14)
11	Great Plains Supply, St. Paul, Minn.	(13)
–	Stripling Blake Lumber, Austin, Tex.	(13)
13	Lanoga, Seattle	(9)

Source: Company data; *NHCN* research, *NHCN* chart

Growth takes toll on Depot's bottom line

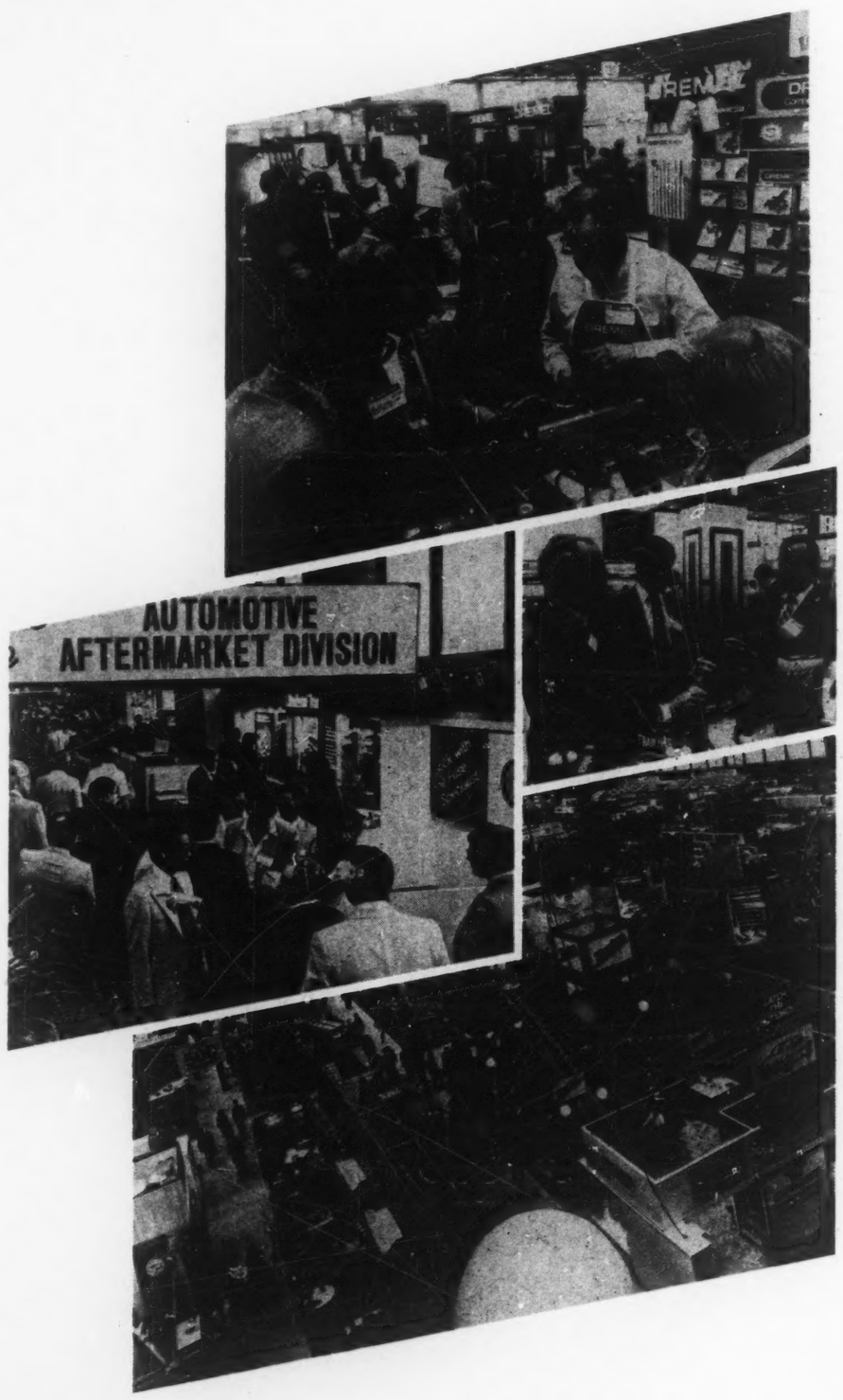
(Continued from page 54)

all Houston consumers who purchased four gallons of Glidden paint. Builders Square had dropped its price on that brand to $2.97 per gallon.

At any rate, Home Depot has taken what most analysts considered to be a responsible action to, at least temporarily, pull out of its Detroit store plans and reduce its expansion drive this year, and concentrate more on improving its earnings.

However, even a more conservative Home Depot will be a formidable player in the home center market, and it is still the only warehouse chain in the business that has shown it can consistently make money operating this kind of format.

The company also appears to have the confidence of investors, despite its earnings problems last year, which bodes well for the chain being able to raise capital through future stock offerings to expand over the next several years.



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P ☐ Independent
R ☐ Chain

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Top Losers in % of Total Sales		
Rank	Company	% Change
1	Boise Cascade, Boise, Idaho	(67)
–	Walker-Kurth Lumber, Houston	(67)
3	Scott's, Linthicum, Md.	(66)
4	Plywood Ranch, Braintree, Mass.	(38)
5	Samon's DIY Centers, North Salt Lake, Utah	(37)
6	Edward Hines Lumber, Chicago	(35)
7	L-P Home Centers, Costa Mesa, Calif.	(33)
8	Big Tin Barn, Diboll, Tex.	(30)
9	Busy Beaver, Pittsburgh	(28)
10	Robertson Cos., Grand Forks, N.D.	(26)
–	Martin Home Centers, Alexandria, La.	(26)
12	Calcasieu Lumber, Austin, Tex.	(25)
13	Stripling Blake Lumber, Austin, Tex.	(23)
14	Great Plains Supply, St. Paul, Minn.	(18)

Source: Company data; *NHCN* research, *NHCN* chart

Hechinger's '85 marked by expansion

By an NHCN staff editor

LANDOVER, Md. — 1985 was a learning year for Hechinger Co.

It learned that its stores and name could be accepted outside of Washington, D.C. Hechinger opened 10 new units in 1985, all 60,000 to 80,000 sq. ft., in new markets such as Rochester, N.Y.; Pittsburgh; Deptford, N.J.; Greensboro, N.C.; and Columbus, Ohio.

But Hechinger also learned that the strengths upon which it traffics in the nation's capital don't automatically translate into dollars and cents elsewhere. While the company's sales and earnings growth was still ahead of most of the other chains in the industry, it was below the company's expectations.

As part of its education last year, Hechinger learned by trial and error that opening warehouse-style home centers, which made up the bulk of its expansion, did not produce the earnings the company was used to. Several weeks ago, company officials announced that the company would be getting away from the warehouse concept, would be taking the word "warehouse" off the front of its stores and would be spending $16 million to remodel the entire 54-unit chain to something called the "New Hechinger" that calls for larger units with more of a fashion setting (*NHCN*, April 21).

Last year, Hechinger's revenues rose 18% to $479 million, and net income increased 10.9% to $23.1 million. The company's sales rank Hechinger ninth among home center operators.

Hechinger, which has traditionally been one of the home center industry's most profitable chains, shook that industry up in late 1984 when it announced its plans to expand as far west as Ohio, and as far north as New York, and as far south as North Carolina.

On June 17, the company made a 5-to-4 stock distribution that was expected to raise $28 million to finance the opening of 28 stores over the next two years.

Hechinger's growth plans do not appear to be abating, as it has already announced its intentions to open another 12 units in 1986. However, company officials were unsatisfied with the performance of its warehouse units, and have since scuttled any future warehouse growth in favor of

(Continued on page 62)

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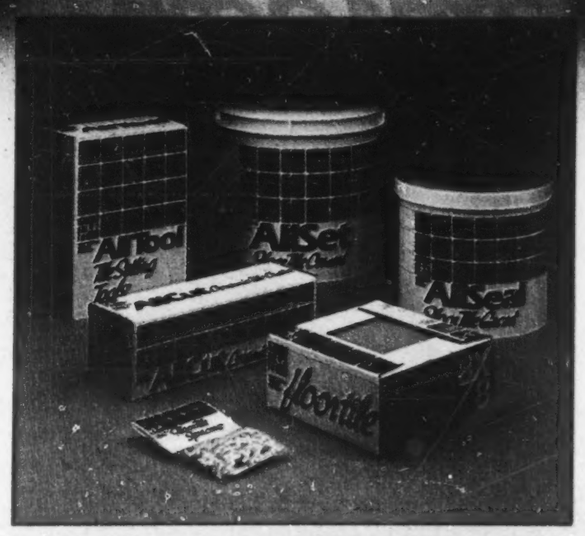

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Sutherland closes HouseMart units; 1985 sales up 10%

By an NHCN staff editor

KANSAS CITY, Mo. — Sutherland Lumber Co., the 85-unit chain here, weathered the depressed economic conditions in the Midwest and saw its sales increase by 10% to $578 million in 1985, according to *NHCN* estimates.

However, the company decided last year to close its HouseMart warehouse units in Indianapolis and Tulsa, Okla. The 100,000-sq.-ft. stores "simply had too much space for the amount of inventory we sell," said Craig Sutherland, an executive with the chain.

He noted as well that Sutherland officials "came to the conclusion that the warehouse concept just doesn't work, especially within our format." The first HouseMart store was opened in September, 1983.

But with the HouseMart closings, it appears the company experienced flat store growth in 1985. And this year, the chain is already anticipating increased sales as a result of lowered interest rates. "I believe the recent purchasing and refinancing activity going on because of the interest rate drop presents a business like ours with some good opportunities," said Craig Sutherland.

While the company claims to get 100% of its sales from cash and carry purchases, Sutherland's is reputed to get a sizable amount of its volume from small contractors, whose business should increase if homebuilding and remodeling expand.

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Scotty's unveils new expansion plans; experiences 7% total sales gain in '85

By an NHCN staff editor

WINTER HAVEN, Fla. — Once referred to as "Sleepy Scotty's" for its very conservative views toward expansion, merchandising and fiscal matters, the industry's fifth largest chain in total selling area directed its energies last year to repositioning itself to compete better in Florida, one of the most competitive markets in the nation.

For calendar 1985, the retailer experienced a gain of about 7% in total sales to $473 million, causing the company to slip a couple of notches on *NHCN*'s Top 100 list to 10th place. However, the modest sales increase masked a year of almost revolutionary changes at the company, which opened 14 net new stores to end the year with a total of 124 units.

Foremost of those changes was the unveiling of a new store format that dramatically increased indoor, air conditioned selling space and offered customers a wider selection of 14,500 stock keeping units, about double the skucount at older Scotty's stores.

Expansion last year consisted of remodeling six stores to the new format as well as adding 12 smaller hardware units. Scotty's Hardware stores, used to penetrate smaller markets and to fill in around larger Scotty's stores in metropolitan areas, were so successful that the company plans to open six more by June and to have as many as 75 of these outlets by 1990.

Scotty's invested heavily in improving operational efficiencies last year by expanding its central warehouse distribution facility and bringing on line a new $15 million data processing system.

There was also a transition of power among Scotty's top management people during 1985. Dennis Stults, a 25-year veteran of the company, was elected president in April, succeeding Ray Cooney, who was named vice chairman. Also a number of younger executives were promoted or were given wider responsibilities. Richard Martineau, 34, treasurer and chief accounting officer added responsibility for data processing and Kevin Fitzgerald, 41, director of purchasing was given additional responsibilities for manufacturing, warehousing and transportation.

In 1986, Scotty's plans to retrofit old stores and add a total of some 11 full-line home centers and hardware units. Also, geographic growth that brought Scotty's into the Miami/Dade County market for the first time earlier this year may include expansion north into southern Alabama and Georgia.

Top Gainers in $ of DIY Sales		
Rank	Company	DIY Sales Increase (Mil $)
1	The Home Depot, Atlanta	268
2	Lowe's Cos., North Wilkesboro, N.C.	209
3	Payless Cashways, Kansas City, Mo.	202
4	Mr. HOW Warehouse, Margate, Fla.	189
5	HomeClub, Fullerton, Calif.	180
6	Builders Square, San Antonio	114
7	Wickes Cos., Santa Monica, Calif.	91
8	W. R. Grace, New York	81
9	Hechinger, Landover, Md.	74
10	Menard's, Eau Claire, Wis.	55
11	Sutherland, Kansas City, Mo.	53
12	Homecrafters Warehouse, Birmingham, Ala.	42
13	Mr. Goodbuys, Philadelphia	40

Source: Company data; *NHCN* research, *NHCN* chart

'85 expansions up Hechinger's income 10.9%

(Continued from page 60)

the new prototype the chain has developed and already begun implementing.

Hechinger executives insisted that the warehouse concept can only work when that type of store has some level of exclusivity in a given market. But with so many warehouse companies opening stores as a rapid clip, Hechinger decided it was better to concentrate on its strengths, and leave that part of the business to other to fight over.

During last year, the company has steadily reduced its selling, and general administrative costs, and has been focusing on cutting its interest expenses as well.

And on Jan. 7, 1986, a changing of the corporate guard was completed when John Hechinger, Jr. was promoted to president of the company. He is the third generation of the Hechinger family to holding that position.

His father, John, Sr., moved into the post of co-chairman, which he shares with Richard England.

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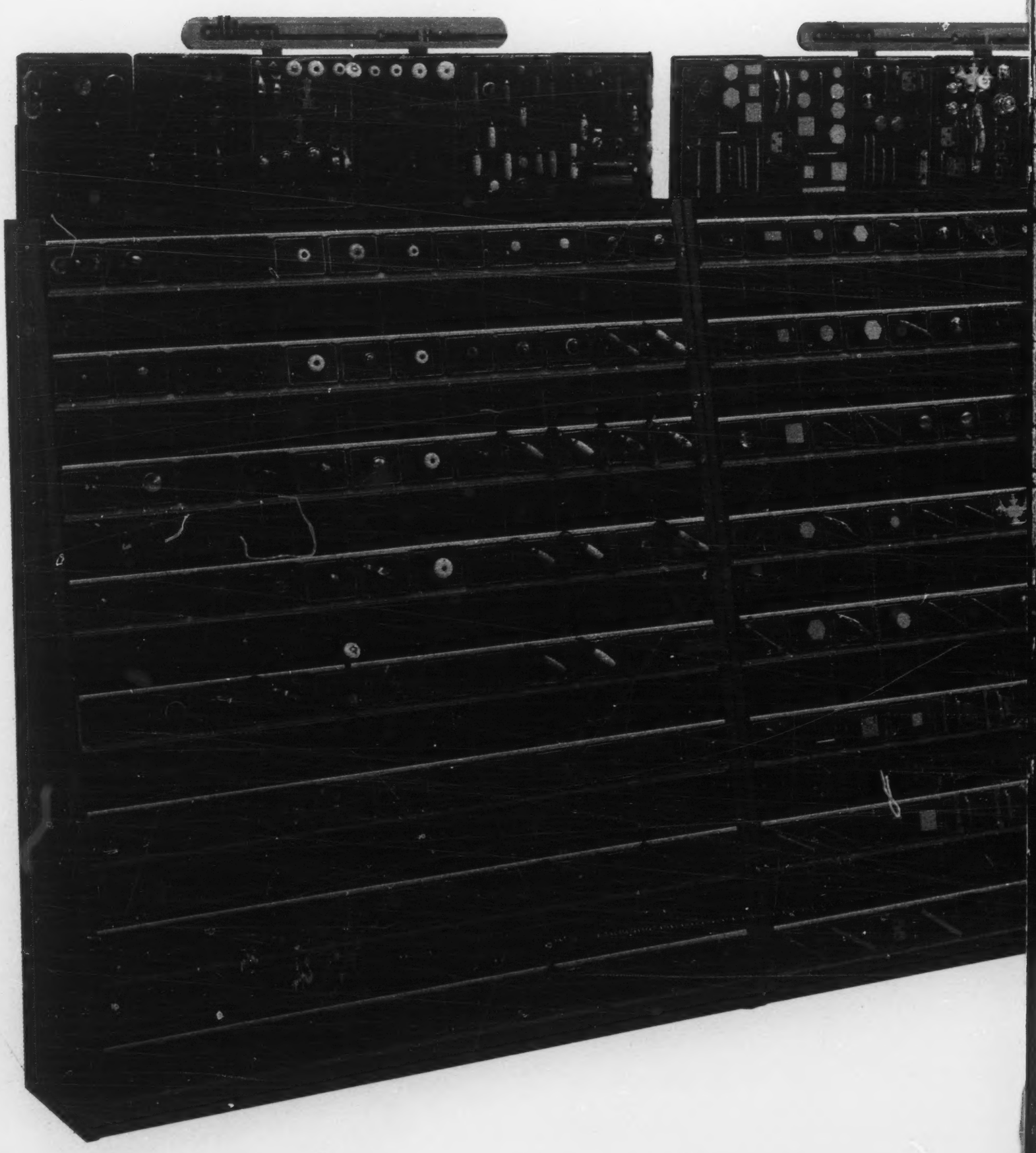

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Top Gainers in % of DIY Sales		
Rank	Company	% Change
1	Mr. HOW Warehouse, Margate, Fla.	386
2	HomeClub, Fullerton, Calif.	257
3	Builders Square, San Antonio	93
4	Woodbury and Sons, Glens Falls, N.Y.	86
5	National Home Center, Springdale, Ark.	82
6	Mr. Goodbuys, Philadelphia	80
7	Hacienda Home Centers, Albuquerque, N.M.	67
8	General Building Products, Medford, N.Y.	64
9	The Home Depot, Atlanta	62
10	Manis Lumber (Wheeler's), Rome, Ga.	60
11	Homecrafters Warehouse, Birmingham, Ala.	54
12	Strober Brothers, Brooklyn, N.Y.	50
—	Stripling Blake Lumber, Austin, Tex.	50

Source: Company data; *NHCN* research, *NHCN* chart

Rickel gains ranking, sales pace slows

By an NHCN staff editor

SOUTH PLAINFIELD, N.J. — Rickel Home Centers climbed a notch to 11th place on *NHCN's* listing of the top home center firms in the nation last year. The subsidiary of Supermarkets General Corporation had sales of about $385 million, an increase of 11% over the previous year's figure.

While that sales increase pales in comparison to 1984's 26% sales gain, Rickel president Chuck Davis, who succeeded the retired Stanley Abramson as chief executive officer at the end of the year, noted that the home center industry in general experienced a "soft" year in sales. "We had a fabulous four years before that, everyone did," Davis said. Citing high consumer debt levels, Davis added, "I think the consumer ran out of steam."

For Rickel at least, that overall slowdown means the company will have to concentrate on pulling a greater share of market in its trading areas, which include New Jersey, Long Island, upstate New York, Connecticut, Philadelphia and Maryland. To do that, the company instituted several programs aimed at buttressing its competitive position against the likes of Hechinger, Mr. HOW Warehouse, Pergament, Mr. Goodbuys and Channel, including:

- Accelerating the conversion of stores to a new IBM point-of-sale system.
- Implementing a more aggressive import program that will increase overseas merchandise by almost 60%.
- Supplying Rickel stores with a greater percentage of products shipped directly from manufacturers.
- Maximizing efficiency at the chain's 80,000-sq.-ft. distribution center with new mechanization and fixturing programs.

While adding only two stores last year to bring its total to 42 outlets, Rickel this year plans to add between six and eight new stores, all modeled after the company's "center-aisle concept" prototype.

In addition, funds from Supermarket General's record $200 million capital expenditure program will be used to retrofit at least six existing units this year.

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Builders Sq. grows at store per week pace

By an NHCN staff editor

SAN ANTONIO — Builders Square is looking to become the predominant warehouse chain in 1986, and based on its performance in 1985, there are a lot of reasons for the company to be optimistic.

First, the 30-unit chain increased its sales volume in 1985 by 52%, from $190 million in gross sales to more than $365 million, 65% coming from DIY sales. The chain now ranks 12th in sales among home center chains.

Secondly, the company is literally building a store a week, with an ambitious plan to have 50 new warehouse units on line by the end of the year. In fact, one out of every two of the 111 new warehouse stores projected to be opened industrywide this year will belong Builders Square.

Already it has broken new ground in such cities as Pittsburgh; Akron, Ohio; and several southern cities and introduced DIYers in Cleveland to the warehouse format.

And despite indications that the warehouse phenomenon is slowing down, Builders Square President Frank Denny, is buoyant about the company's growth and the kind of industry that is evolving.

"We're still aggresively pursuing the market," Denny said. "Obviously we feel the future of the industry is solid.

"But we are perhaps the first to realize that the industry is in a period of change. I don't think you're seeing a downward trend, I think your're seeing a shift in consumer patterns more.

"In the big cities you are

(Continued on page 64)

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Top in Number of Stores		
Rank	Company	Stores
1	84 Lumber, Eighty-Four, Pa.	375
2	W. R. Grace, New York	319
3	Evans Products, Miami	319
4	Lowe's Cos., North Wilkesboro, N.C.	282
5	Wickes Cos., Santa Monica, Calif.	272
6	Payless Cashways, Kansas City, Mo.	169
7	Carter-Jones Lumber, Kent, Ohio	146
8	Lanoga, Seattle	140
9	Scotty's, Winter Haven, Fla.	124
10	Pay 'N Pak, Kent, Wash.	106
11	Diamond Lumber, Sacramento	96
12	Sutherland, Kansas City, Mo.	85
13	Copeland Lumber Yards, Portland, Ore.	80
14	Ernst Home Centers, Seattle	73

Source: Company data; *NHCN* research, *NHCN* chart

Menard's adds 7 units in '85; trademark suits plague chain

By an NHCN staff editor

EAU CLAIRE, Wis. — Menard Cashway just keeps rolling along. Despite the fact that the majority of its stores are in states that have been severely affected by the downturn in farming, the chain added seven units in 1985, and saw its sales increase by 22.8% to $350 million.

These sales gains rank Menard's 13th among all home center chains. Menard's gets around 85% of its volume from consumer transactions.

"We had a pretty satisfying year in 1985, and expect 1986 to be just as satisfying," said John Menard, the company's president.

Last year, the company embarked on a major renovation program, in which most of its older units were expanded in size to between 50,000 and 70,000 sq. ft., and converted to a warehouse-style format.

In addition, the chain realized nearly 30% store growth in 1985, including the opening of a 68,000-sq.-ft. warehouse in Rockford, Ill., and Grand Forks, N.D., last July. Among the other markets Menard's opened new units in were Racine and Sheboygen, Wis., and two in Des Moines, Iowa, where the chain is scheduled to open two more units this spring.

Not all things were great for the chain last year, though. Menard's continues to be involved in a number of lawsuits that charge it with trademark or copyright infringement.

The company agreed to a restraining order prohibiting it from selling work benches that are alleged to be illegal knockoffs of a product made by Hirch Co. More recently, Menard's made a cash payment to U.S. Brass as settlement for selling a line that infringed on the manufacturer's "Aqua-Line" faucet labeling and packaging.

'Last year, Menard's embarked on a renovation program, in which most of its older units were expanded and converted to a warehouse-style format.'

A few months ago, Stanley Works named Menard's and a number of other dealers in a petition filed with the International Trade Commission that alleges violations of patents Stanley holds for its MINI-HACK hacksaws (*NHCN*, March 10).

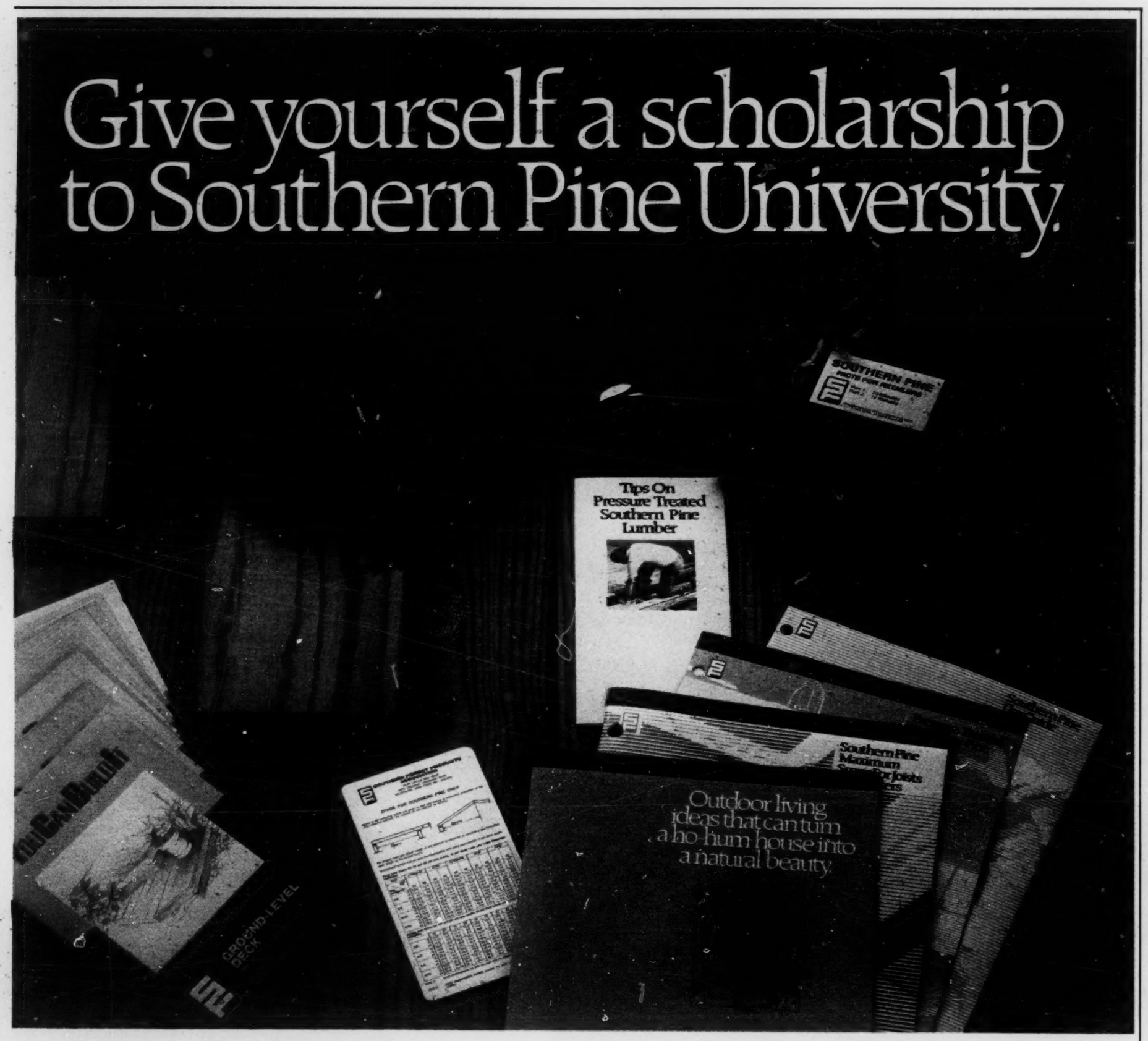
Builders Sq. grows at store per week pace

(Continued from page 63)

seeing a disproportionate share of the market going to warehouses at the expense of a market that was probably full at one time."

With 10 new stores slated to go into California alone, many of them in southern California, Denny said he is not too worried about some observations that portray southern California as being overstored.

"I think that it is overstored, but I believe the level of competition in California is relatively weak in regards to the traditional home centers," Denny said. "It's a great market for us, Home Depot, and HomeClub, and I think we will get the lion's share of the market."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Top Gainers in Store Count		
Rank	Company	Store Increase (in units)
1	Lowe's Cos., North Wilkesboro, N.C.	34
2	The Home Depot, Atlanta	19
3	Builders Square, San Antonio	15
–	Mr. HOW Warehouse, Margate, Fla.	15
5	Scotty's, Winter Haven, Fla.	14
6	Payless Cashways, Kansas City, Mo.	12
–	HomeClub, Fullerton, Calif.	12
8	84 Lumber, Eighty-Four, Pa.	10
–	Hechinger, Landover, Md.	10
10	McCoy's, San Marcos, Tex.	7
–	Menard's, Eau Claire, Wis.	7
12	Pay 'N Pak, Kent, Wash.	6
–	Gerrity Building Centers, Meredith, N.H.	6

Source: Company data; *NHCN* research, *NHCN* chart

Lanoga's UBC buys five Payless stores; allows for expansion into new markets

By an NHCN staff editor

SEATTLE — United Building Centers (UBC), a division of the Lanoga Corp. based here, bought five Payless Cashways stores—three in Iowa and two in Minnesota—late last year, underscoring both the parent company's and UBC's commitment to rural markets.

UBC, based in Winona, Minn., converted the Payless stores to the UBC name and format in early 1986. One of the stores, in Iowa Falls, opened in 1947 under the management of Vernon Furrow, who later became chairman and is now director emeritus.

UBC president Daryl Nagel said the Payless acquisition allowed UBC to expand into new markets.

Privately held Lanoga, which ended 1985 with 115 UBC stores, 11 Spenard Builders Supply units in Alaska and 14 Lumbermen's stores in Washington and Oregon, had a sales decrease of 3% in 1985, to $335 million. Its unit count dropped to 140 outlets from the prior year's 148. Contractor sales account for about 60% of the chainwide volume.

In a key personnel appointment, Edwin M. Savage was named president of Lumbermen's in May 1985. He formerly was a senior executive at Boise Cascade Corp., and, prior to that, a longtime executive at Grossman's, Evans Products' largest retail chain. Last August, Lumbermen's moved its headquarters from Shelton to Olympia, Wash.

Lumbermen's opened a distribution facility in November near Tacoma and boosted its buying staff by two.

At Spenard, 1985 was highlighted by the opening in May 1985 of a new 93,000-sq.-ft. retail and manufacturing facility in Fairbanks, replacing an existing yard.

More recently, early in 1986, Dencil E. Gold was promoted to president of Spenard, replacing longtime president James O. Campbell, who resigned. Spenard is the largest building material retailer in Alaska and has plans to open two new stores this year.

Pay 'N Pak's '85 earnings sink 19%

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak's earnings declined 19% in 1985 to $8.2 million on a 9% sales increase to $333.7 million, reflecting Pay 'N Pak's tough and ongoing battle to keep and expand its share.

Highlights of 1985 included Pay 'N Pak's push into northern California with the debut of a pair of mini-warehouses in San Francisco and South San Francisco in November.

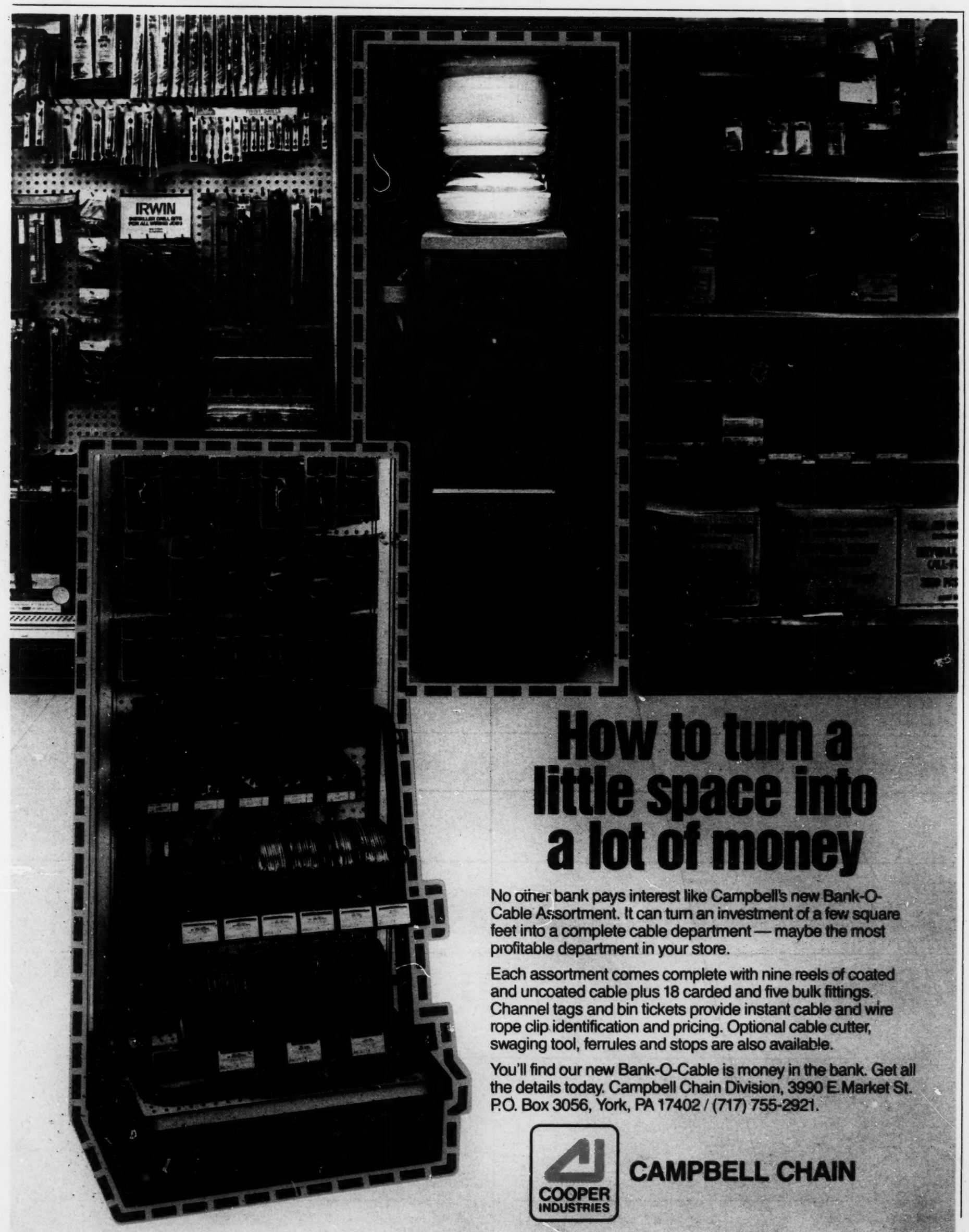
This Bay Area focus was underscored again this past January with simultaneous grand openings of stores in the East Bay cities of San Leandro and El Cerito.

Pay 'N Pak ended the fiscal year with 106 units versus 100 units at the end of the previous year. Its store count was bolstered by the $10 million acquisition in October of three Handyman outlets in the Portland, Ore., market. During the year Pay 'N Pak also closed two stores in the Tulsa, Okla., market.

"We have worked very hard for the past two years to revamp our operation to stay ahead of the dramatic changes that have taken place in our industry," David Heerensperger, chairman, said in commenting on fiscal year results. "It has been an expensive process, but the hard work is starting to pay off in increased sales and earnings."

Heerensperger said earnings last year were adversely affected by the company's need to borrow heavily to pay for expansion, "with the result that our interest cost increased from $3.7 million last year to $6.1 million this year."

Pay 'N Pak continues to build or convert existing stores to its warehouse format. It now has 36 units.



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Corporate turnovers mark Diamond's '85

By an NHCN staff editor

DALLAS — Diamond Lumber's sales slipped 1% to $326 million in a year marked by management turnover at the chain and its corporate parent, Michigan General.

During the year, General Felt Industries increased its ownership stake in Michigan General to nearly 20% and began to exert tighter control over the company.

Meanwhile, a $24 million retrofit program aimed at attracting more DIYers into Diamond's 96 stores was left foundering.

John Boudreau, Michigan General's president and ceo, resigned right after announcing a plan to sell and leaseback Diamond units to raise capital for expansion and to relieve long-term and short-term debt. On June 4, General Felt president Rocco Barbieri was elected president of Michigan General and cancelled the previously announced sale-leaseback plans. In further evidence of General Felt's growing control, Michigan General's headquarters were moved last September from Carrollton, Tex., to Saddlebrook, N.J., into a building occupied by General Felt.

Jerry Rex, who was brought in as Diamond's president by Michigan General in September 1983, was replaced in December by former Payless Cashways executive vp Harlon Seats.

Seats' challenge is to bring some direction to a chain that has appeared rudderless. One of his first decisions was to scrap the ambitious retrofit program. Early this year, Diamond opened a new distribution center aimed at making the chain less dependent on distributors and manufacturers reps. Seats also unveiled a new three-tiered "project" mix merchandising strategy designed to transform Diamond into a "specialty retailer of building materials."

Central maintains pattern of steady growth; '85 sales up 8%

By an NHCN staff editor

BRIDGETON, Mo. — Estimated sales for Central Hardware Company rose 8% to $270 million last year, continuing a pattern of steady growth.

Strictly a DIY retailer, Central Hardware has recommitted itself to hardlines in the last year, maintaining a hardware orientation.

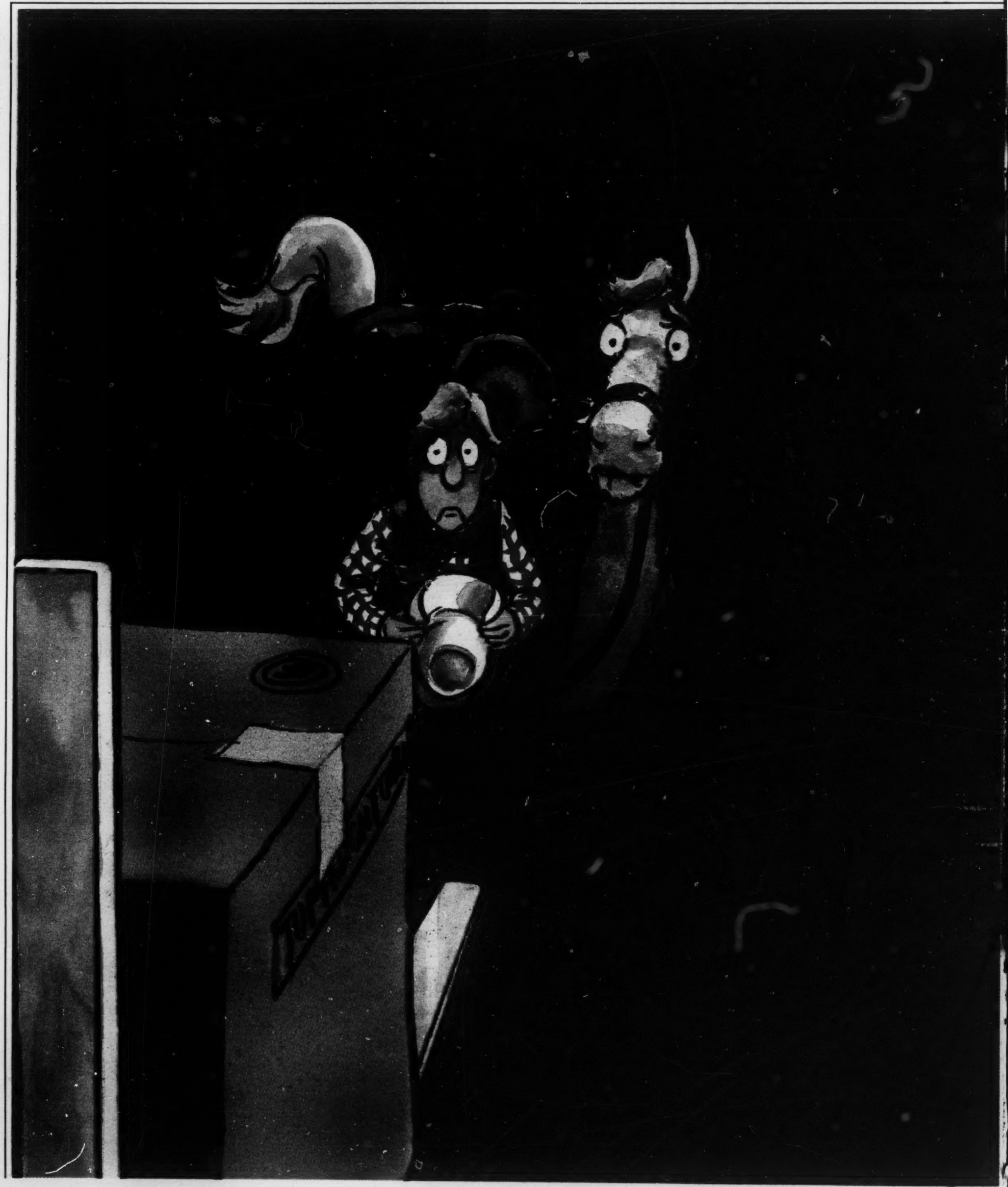
Central Hardware, with 31 homecenters in Illinois, Missouri, Ohio, Tennessee and Indiana, is a division of Interco, Inc., a St. Louis-based merchandiser of furniture, home furnishings, apparel and shoes. In 1984 Interco posted sales of $2.6 billion, according to Robert Hensley, Interco treasurer.

In the last year Central closed one of its 60,000-sq.-ft. stores, an average size unit.

The company maintains an average of 27,000 stock keeping units chainwide.

Central is basically a midwestern chain, competing with companies like B&B and Hill-Behan in the St. Louis market and Payless Cashless Cashways in other markets.

As it has expanded eastward, Central met westward expanding competitors like Hechinger in the Columbus market. Central employs approximately 2,500 people.



Ernst retrofits stores in 1985

By an NHCN staff editor

SEATTLE — New leadership came to Ernst Home Centers in early 1985 as the company's owners—the Trump Group of New York—continued its search for an effective strategy to enhance the struggling chain's profitability.

Former Target discount stores executive Michael Rouleau became president of the chain in February 1985, replacing general manager Bill Boston, who served as assistant to Rouleau before leaving last November.

Under Rouleau's direction, a fresh look was taken at Ernst's store layout and merchandise presentation—and Ernst returned sporting goods, fishing tackle and housewares (which it dropped several years ago) to its mix as part of an emphasis on a hardware store image and a de-emphasis on building materials.

The retailer opened its first distribution center in an effort to buy and operate more effectively.

While Rouleau is believed to have reduced the red ink at Ernst during his one-year tenure, he apparently was not moving as quickly as Trump wanted to put the company in the black.

He was replaced as president by Hal Smith, former

(Continued on page 71)

Perspectives

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Zayre purchases 18-unit HomeClub; chain maintains firm market position

By an NHCN staff editor

FULLERTON, Calif. — On Nov. 19, 1985, discount retailer Zayre Corp. announced that it had reached an agreement in principal to acquire HomeClub, Inc., the 18-unit membership warehouse chain founded in July 1983 by Robert McNulty. The chain catapulted to 19th position on NHCN's annual list of home center chains in 1985.

The Zayre purchase—completed in January 1986—was the most significant development in HomeClub's short and splashy history.

Only three weeks before Zayre announced its acquisition intentions, on Oct. 29, an initial public offering for HomeClub was made, at $9 per share. Zayre bought HomeClub at $14.25 per share—meaning that investors made nearly 60% on their investment in a very short time.

President Robert McNulty stood to gain about $6.5 million on the deal and executive vp's George Handgis and John Shanklin owned shares valued at about $4 million and $2.5 million each, respectively.

The HomeClub story in 1985 showed that expansion at a fast and furious pace has a bottom-line impact.

Zayre reported that in the fourth quarter, HomeClub lost $4.7 million on sales of $91.4 million compared with a loss of on

(Continued on page 72)

DIY sales account for half of West's 1985 business

By an NHCN staff editor

ATLANTA — West Building Materials continued its drive to punch up its consumer business in 1985, and succeeded in the sense that DIY sales accounted for 50% of its business during the year, compared with only 40% the prior year. On the other hand, total volume was fairly flat for the year, rising only 2%, to $250 million.

The company ranked 19th on the *NHCN* Top 100 list, down one notch from its position a year earlier

Nevertheless, the chain has most likely been able to increase its earnings, since shelf prices in its stores seem to have increased over the past year. The feeling seems to be that the price competition characteristic of 1984 and much of 1985 may be lessening as the chain tries to capitalize on its investment in better looking stores through higher margin consumer sales.

Company in transition

That West is a company in a rapid transition is reflected in its store count numbers. The chain's total of 64 units is one less than the total operated at the end of 1984. Yet within those seemingly lackluster number comparisons there is much action, since West has continued to close its older contractor-oriented yards while building new, larger units that draw more consumer traffic.

The chain's latest unit in Fort Walton Beach, Fla., opened earlier this year, reflects the larger trends underway at West. The store's sales floor of 60,000 sq. ft. is much larger than the chain's older units. And the store has the more appealing look, and the deeper displays, that have characterized the latest efforts at the chain.

Some of these elements being introduced at the chain include the display of commodities under a single roof, the display of appliances in more attractive settings, and the addition of outdoor lawn and garden areas.

Ernst retrofits stores as part of its 1985 strategy

(Continued from page 70)

president of Builders Emporium, in early 1986. Rouleau was given a special assignment to develop retail business strategies for Ernst parent Seattle Standard Corp., formerly known as Pay 'N Save Corp.

Smith is the third chief executive in less than two years at Ernst.

Other personnel moves include the hiring of Gene Howenstein, former vice chairman of Central Hardware, Bridgeton, Mo., who joined Ernst as senior vp and gmm; and Tom Stanton, former western regional vp for Payless Cashways, who was named store operations director.

In 1985, Ernst opened three stores—two stores in the Seattle market cities of Renton and Issaquah in November and a unit in Everitt, Wash., in September, bringing its chainwide count to 76 units in six Western states.

Ernst also sold three of its Las Vegas stores, Von Tobel's, to Builders Emporium in early 1986.

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Perspectives

annual report

Handyman tums in strong '85; income, store count boosted

By an NHCN staff editor

SAN DIEGO — The most important event in 1985 for Handyman was the spin-off of the chain from its parent company, Edison Brothers Stores. St. Louis, in June.

Handyman, founded in 1962, is now traded on the American Stock Exchange. Sales in 1985 fell 15% to $228.1 million while net income was $8.9 million, a 44% increase, in part attributed to gains from the sale of real estate. Same-store sales increased 7.7%.

Handyman completed the extensive remodeling of 20 stores in 1985, bringing the total of remodeled stores to 21. The chain also opened two new stores, in Sacramento and Fresno, Calif., bringing the store count to 53 at year's end.

Another major development in 1985 was Handyman's decision to sell its three Portland, Ore., stores to Pay 'N Pak, for $10 million, generating a pretax gain of approximately $3.5 million. The profitability of the Oregon stores had lagged considerably behind the rest of the chain, Harvey Rosen, president and ceo, said.

Handyman also completed the installa tion of point-of-sale registers in its San

(Continued on page 74)

Mr. HOW's sales boosted $250 million in 1985

By an NHCN staff editor

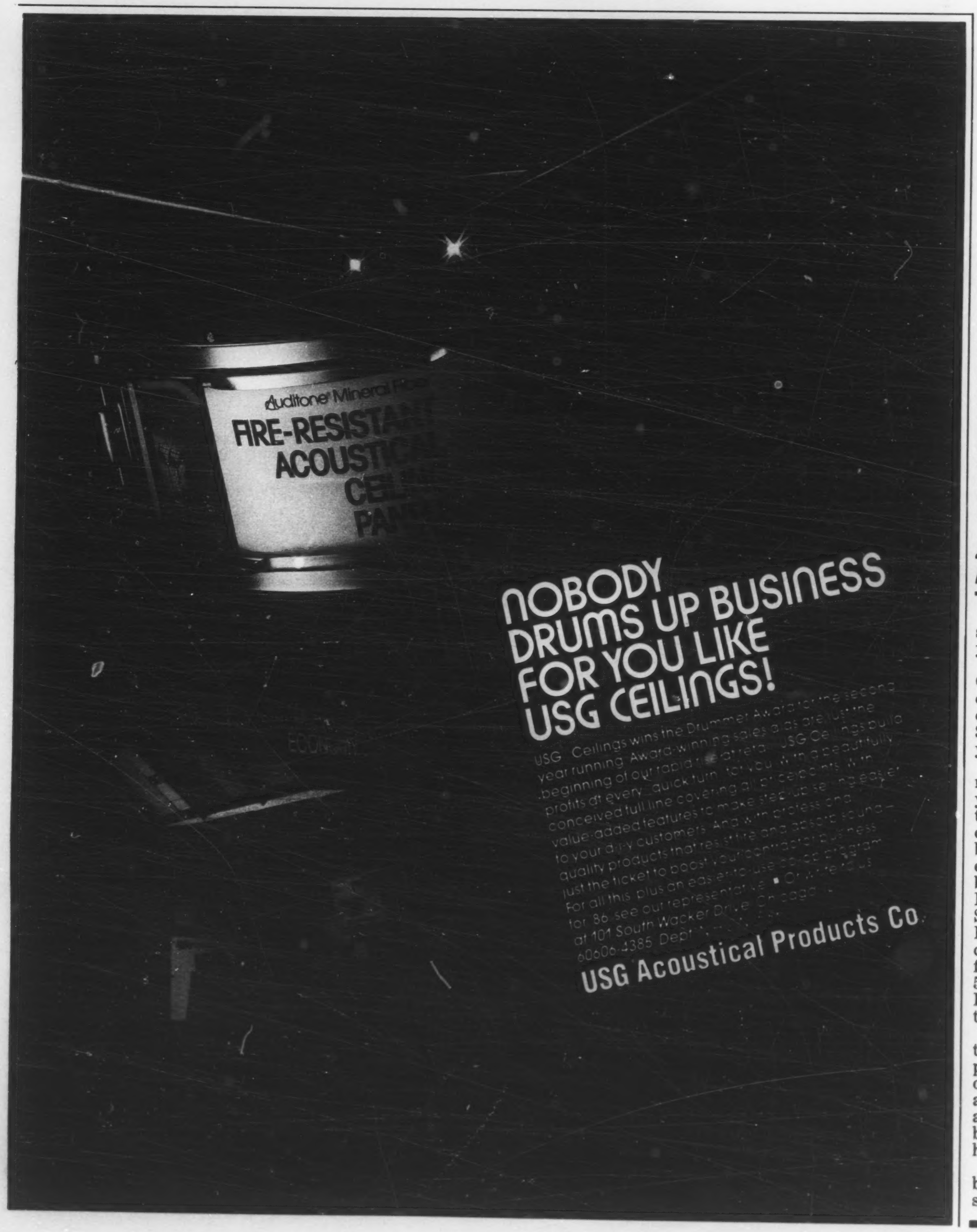
MARGATE, Fla. — Mr. HOW Warehouse traveled a bumpy road last year, despite chaulking up the industry's highest sales gain percentage.

Leaping from 58th to 19th place on *NHCN's* listing of home center companies, Mr. HOW increased its store count from 12 to 27 and added some $250 million in sales to the coffers of its parent, Service Merchandise Corporation. However, its negative impact on Service's bottom line helped fuel continuous speculation last year that the warehouse home center chain founded by Pat Sher in 1983 was on the selling block.

The year started with unbridled enthusiasm for Mr. HOW. The chain made one of the first big acquisitions of 1985 when it purchased all five Forest City warehouse stores in Chicago. But, shortly after the company announced plans to open at least 10 more units in 1985, founders Sher and executive vp Steve Dougherty resigned.

Other defections followed. Merchandisers Tom Cawley and Marty Mendick left the company, as did Jack Getzinger and John Tilton, who now head their own chain of warehouse-style lawn and garden stores. Later in the year, Jack Kopkin, merchandising vp, resigned over "philosophical differences" concerning the way the chain was being run. Joe Thomas, director of store planning, and Dave Bost, zone manager, also left.

Having weathered both the sale rumors and management turnover, a leaner Mr. HOW is hoping for a more stable and profitable year in 1986. Under the direction of Norman Darrer, who was named president of Mr. HOW last June, and senior marketing vp Hank Kirschner, the company is fine-tuning its stores to bring more uniformity to the chain. Expansion will be slowed in order to concentrate on building profitability. Partial evidence of that slowdown can be seen in the chain's cancellation of plans to enter the Denver market this year.



Zayre purchases HomeClub in 1985

(Continued from page 71)

sales of $28.9 million for the year-earlier quarter.

For the fiscal year, HomeClub lost $3.82 million on sales of $248.5 million versus a loss of $2.27 million on sales of $68.1 million for the previous year.

A sad development at HomeClub occurred early this year when one of the chain's top executives died unexpectedly. As part of its efforts to boost its inside financial talent, HomeClub last September brought aboard former Federated Department Stores executive Rudolph L. Hirsch as executive vp in charge of administrative and financial functions. Hirsch, 57, died March 23, 1986, in Phoenix, Ariz., of a heart attack, company officials said.

This year, HomeClub plans to open 18 new units, compared with the 12 outlets it opened in 1985, four in 1984 and two in 1983. HomeClub is attempting to carve out the biggest share of the warehouse market in California.

The company believes it will become a national chain—someday.

Perspectives

annual report

Carter experiences 21% increase in sales in 1985

By an NHCN staff editor

KENT, Ohio — Benefitting from store locations in rural areas with lower levels of competition than that experienced by other chains, and from a strong presence in contractor sales, $200 million Carter Lumber experienced a 21% increase in its total sales last year. Over the same period, it added four stores to bring its chain total to 146.

For this company, which ranked number 24 on the *NHCN* Top 150 list by total sales, 1985 was the year of adjustment as the company remerchandised, in its own image, the six Z&L stores it had purchased the previous year from Z&L Lumber, the former $30 million Pittsburgh chain.

"We're seeing a little more competition from Builders Square and Furrows," acknowledged Bryan Carter, president of the family-owned company. "We're seeing a lot more mail order flyers from everyone."

So far, at least, Carter Lumber has not responded with flyers of its own, and Carter added that "we seem to have gained some market share, based on our sales increase."

As for the remerchandising of the Z&L stores, Carter noted that "they had a few too many stock keeping units." While Carter does not release its sku count, *NHCN* estimates that the typical Carter store has 8,000 sku's.

One step Carter did not take was to split up the Z&L stores into dual units, a characteristic for which Carter's own stores are famous. Indeed, Carter said that his company has begun building stand-alone units, depending on what the market demands. In many cases, the real estate necessary to make the split into two stores is not available.

Carter noted that traditionally his company has divided its stores because "we like to have the expertise in two separate departments, with two separate managers." One building is devoted to plumbing, electrical and heating, while the other stocks building materials. Carter also indicated that the company expects the two divisions to stand alone in terms of profits, and that separating the stores helps control the assessments of their respective performances.

'85 Handyman sales up 7.7%

(Continued from page 72)

Diego stores and is installing them in its northern California stores this year. Rosen said the registers and the accompanying systems are providing store and merchandising personnel "significantly improved information."

Handyman also updated its advertising and promotional materials, and increased the frequency of print advertising by introducing midweek newspaper ads to maintain market visibility. Handyman also for the first time created a television and radio advertising campaign.

Pergament rolls out new format in 1985

By an NHCN staff editor

MELVILLE, N.Y. — 1985 will be remembered here at Pergament Home Centers' corporate office as the year in which the chain took major steps to protect its home turf from an invasion by new competitors.

Sales increased 11% to $200 million as Pergament made the most dramatic store design and product presentation changes in its history. In late 1984, the company rolled out a 72,000-sq.-ft. warehouse store prototype and embarked upon an expansion plan that included converting existing stores, most of which are 20,000 to 50,000 sq. ft.

"We refuse to take a complacent attitude," said Bruce Pergament, vice president for administration, son of company president Murray and grandson of Louis Pergament, who founded the chain 50 years ago.

Because of Long Island's tight real es-

(Continued on page 75)

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Perspectives

annual report

McCoy's opens seven new units in 1985; sales up 6.4%

By an NHCN staffeditor

SAN MARCOS, Tex. — McCoy's Building Supply Centers here, like most chains operating stores in Texas, suffered through tough times last year, as oil prices plummeted and unemployment rose.

However, the chain opened a total of seven new stores in 1985 and saw its sales increase 6.4% to $192.5 million. And despite the prospects of continued economic recession in this state, McCoy's plans to embark on an aggressive expansion plan in 1986.

"The big news down here was and is the price of oil," said Brian McCoy, McCoy's vp-merchandising. "But even though some of our markets are pretty soft, and we expect Houston to continue to be pretty competitive, we're looking for the same sales gains we had in 1985."

A typical McCoy's unit—such as the store it opened in Austin on Sept. 16, its sixth in that market, have 15,000-sq.-ft. showrooms plus 9,000-sq.-ft. warehouse areas plus outdoor an lumberyard sitting on 3.5 acres of land. Other markets in which McCoy's opened new units were Gainesville, Orange and Jasper, Tex.

Recently, the company, which gets around 80% of its volume from DIY sales, has been emphasizing its low price image in its newspaper advertising as a way of combatting the tremendous amount of competition that has come into its market over the past year and a half.

McCoy said that this year, the company would expand by seven units, bringing its total to 72. All of these stores are expected to be opened in Texas.

On a tragic note, Dennis McCoy, 28, the chain's vp-operations, died last spring in a plane crash while on route to one of McCoy's stores near Brownwood, Tex.

Pergament rolls out new store format for '85

(Continued from page 74)

tate market made obtaining sites difficult for newcomers, the chain was able to refine its operations, roll out its new store format and become further entrenched in preparation for the expected invasion.

Last year, Pergament completed its seventh and eighth warehouse conversions. The chain's net store count stayed at 42 last year, but Pergament officials say that it will open six new warehouse stores during 1986; five of them will be 70,000 sq. ft. or larger.

It appears the company showed accurate foresight in attempting to cement its already strong position in its home Long Island market.

Late last year, Hechinger, the Landover, Md.-based chain which ranked ninth on this year's *NHCN* list of largest home center companies, signed a lease for its first of several stores in the Long Island market. Other chains, including Mr. Goodbuys, are reportedly also negotiating for retail locations here.

The company also operates stores in northern New Jersey, Staten Island, upstate New York and Connecticut.

Pergament's new bolder attitude was manifested early this year when the company put an offer on the table to buy the 100-unit Channel Home Center chain from W. R. Grace. Grace subsequently sold its entire home center division to group headed by former ITT chairman Harold Geneen.

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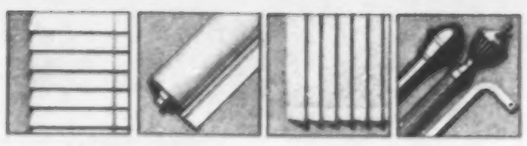

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Perspectives

annual report

Discounters garner high volume on home center items

By Donald Longo
NHCN staff editor

NATIONAL REPORT — While home center retailers usually think of other home center retailers as "the competition" when it comes to battling for the DIYer's home improvement dollar, figures compiled by *NHCN* from a list of leading mass merchandisers and discount stores show that these retailers generate formidable sales volumes from home center-type product lines.

While it is difficult to gauge exactly how much business discounters and mass merchants do in the home improvement area, a sampling of 10 non-home center retail chains totalled an estimated $6.7 billion in home improvement sales last year. By comparison, the top 10 home improvement chains together totalled just under $10 billion in sales, according to *NHCN's* 1985 Annual Report of the Home Center Industry.

But, while the top 10 home centers' figure has grown steadily over the past decade, from $2.7 billion in 1976 to $9.8 billion in 1985, an increase of 263%, sources that follow the discount store industry indicate that those stores' share of total home improvement sales has remained fairly static, with some companies actually cutting back on their offering of home center-type merchandise.

If ya can't beat 'em, join 'em

With so many non-home center chains jumping into the home center fray—witness K mart's Builders Square, Zayre's HomeClub, Service Merchandise's Mr. HOW Warehouse and Sears' planned rollout of 50 new Paint & Hardware stores this year—it would appear at first glance that these retailers are surrendering home improvement customers to the home center concept. However, a closer examination shows that discount and department stores are still major factors in the retail home improvement marketplace.

> *'We have the opposite problem of home centers. Our stores always had the women shoppers. So we want to be strong in decorative type home improvement products where the wife makes 99% of the buying decisions.'*
>
> **John Ogden,**
> *home improvement merchandiser,*
> *S. E. Nichols*

Sears' $4 billion in home improvement sales would rank the giant mass merchandiser No. 1 on *NHCN's* list of top home improvement chains. A consumer poll conducted for *NHCN* last year by the Chicago research firm, Leo J. Shapiro and Associates, indicated that more than 4 out of 10 consumers in seven selected metropolitan markets shopped Sears most often for portable power tools.

In fact, in that category, only 35% of all retail power tool sales are made at home centers, according to estimates by Black & Decker, the Towson, Md., tool supplier. And, the discount store industry, led by K mart's $1.5 billion in sales of home improvement-related merchandise, generated nearly $7 billion from hardware and paint departments.

Furthermore, a key finding of the Shapiro study was that non-home center retailers have had considerable success maintaining a market position against the home center. More than 4 out of 10 home improvement purchasers in the study did not use the home center as their primary source of supply.

The study showed that Sears' major drawing cards among home improvement shoppers were quality and reliability, while discount stores generally attracted customers with price and convenience. The findings indicate that an opportunity exists for home centers to expand their market penetration significantly by concentrating on these areas.

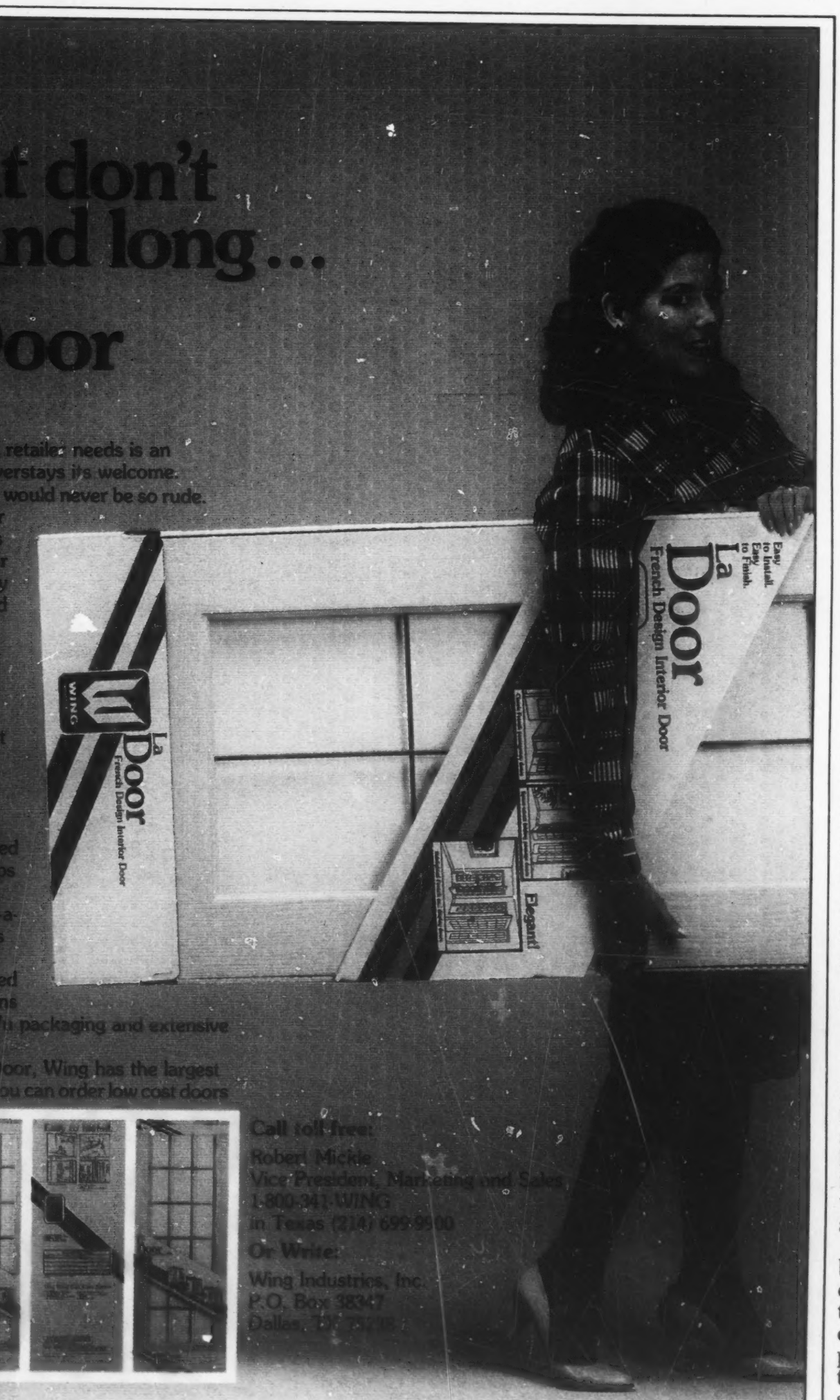
Discounters attract women

Discount stores and mass merchandisers also find themselves in the unique position of having already captured what is to home centers a vital customer segment—the female shopper.

Said John Ogden, former building materials merchandise manager for Forest City, the Cleveland-based home center firm, and now home improvement merchandiser for the S. E. Nichols department store chain: "We have the opposite problem of home centers. Our stores always had the women shoppers. So we want to be strong in decorative type home improvement products where the wife

(Continued on page 80)

Doors that don't hang around long...
New La Door



The last thing the retailer needs is an interior door that overstays it's welcome. Wing's new La Door would never be so rude.

Crafted from clear Ponderosa Pine, this stylish French interior door has the uncanny ability to turn low-end shoppers into high end buyers. This means you'll spend more time making sales. And less time dusting off doors that don't move.

Available in both multi-fold and standard door sizes, La Door features quality glass panels, tempered for strength and safety, brass accent strips for that natural caming look, hardwood glue and dowel construction and a one-of-a-kind gasket system that secures the glass panels and eliminates rattling.

Like all Wing products, La Door is backed by a solid merchandising effort. This means point-of-sale displays, revolutionary Soll-Vu packaging and extensive advertising support.

Quite simply, with the addition of La Door, Wing has the largest product mix available in today's market. You can order low cost doors for traffic . . . high margin doors for profit. And Wing works with you to create floor displays that touch the consumer's imagination, changing his concept of a door from an expense to an investment. Moving him to the top of the line.

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Vice President, Marketing and Sales
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Or Write:
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Dallas, TX 75238

WING

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Perspectives

annual report

Mass merchandisers' and discounters' slice of the home improvement sales pie

10 selected leaders in home improvement sales

Chain	Total sales 1985	Home improvement sales 1985	Total stores 1985	Chain	Total sales 1985	Home improvement sales 1985	Total stores 1985
Sears, Chicago	$26.6 bil.	$4 bil.[1]	799	Fred Meyer, Portland, Ore.	875 mil.	150 mil.	91
K mart[2], Troy, Mich.	22.4 bil.	1.5 bil.	2,062	Meijer, Grand Rapids, Mich.	950 mil.	91 mil.	51
Wal-Mart, Bentonville, Ark.	6.4 bil.	320 mil.	745	Bradlees, Braintree, Mass.	1.6 bil.	80 mil.	157
Montgomery Ward[3], Chicago	5.4 bil.	300 mil.	366	Caldor, Norwalk, Conn.	1.3 bil.	65 mil.	109
Zayre, Boston	3.1 bil.	155 mil.	900	S. E. Nichols+, New York	300 mil.	40 mil.	44

[1]Excludes installed sales
[2]Does not include Builders Square; includes 287 Home Care Centers
[3]Includes 319 home improvement departments
+Includes 34 home improvement departments
Source: *NHCN* research and estimates

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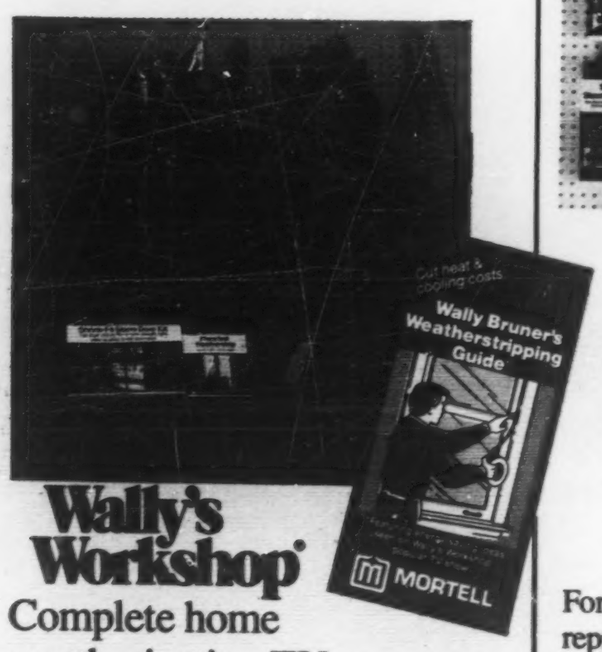

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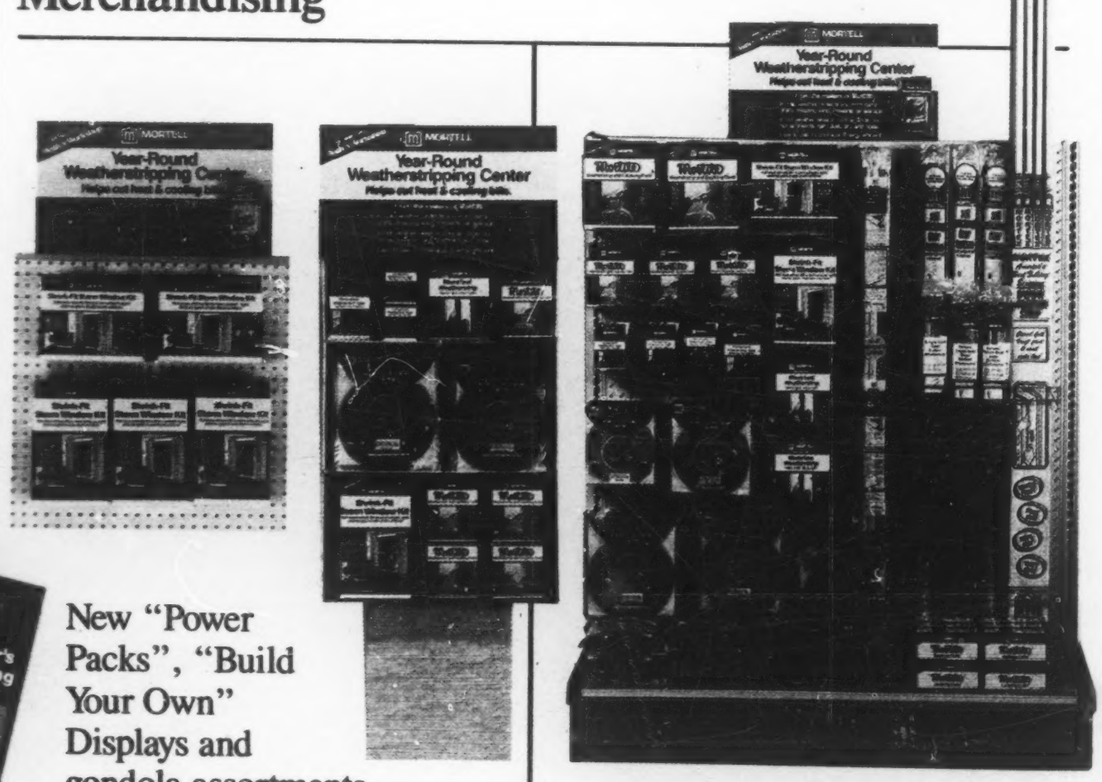
Merchandising



New "Power Packs", "Build Your Own" Displays and gondola assortments.

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Discount stores garner high '85 sales volumes

(Continued from page 70)

makes 99% of the buying decisions."

Nichols, which operates 44 stores in secondary markets from Watertown, N.Y., to Wilson, N.C., is still refining its offering in 34 stores that are large enough to have home improvement departments. Ogden, who joined Nichols last March, said that the company has already substantially pruned its lumber selection to just some convenience boards and handi-panel hardwoods and plywoods. Product line expansion is underway in floor tile, wallpaper and paint, he said.

Walter Loeb, retail analyst at Morgan Stanley in New York, told *NHCN* he doesn't expect discounters to back off at all to home centers.

K mart, despite committing itself heavily to the expansion of its Builders Square subsidiary, has been introducing new Home Care Centers in its stores over the past three years. And, Herbert Zarkin, senior vp/marketing, advertising and sales promotion for Boston-based Zayre Corp., noted that discounters do a huge volume in such product lines as hand tools, power tools and paint. These are not areas in which discounters will easily give up market share to home centers, indicated Zarkin.

But, while they are not waving a white flag, some mass merchants are clearly re-evaluating their committment to home improvement products.

Montgomery Ward, as part of a strategic plan and remerchandising to become a "value-driven specialty store chain," is cutting back substantially in a number of product lines, including home care and hardware. Among the products to be dropped at all Ward stores are: driveway coatings, ladders, paint sprayers, security alarms, safes, carpentry tools, mailboxes, portable electric tools, hobby tools, bench tools, most household hand tools, wall furnaces, insulation, cabinets, shelving and flooring.

According to Chuck Thorne, media relations manager, smaller Montgomery Ward stores will prune back even further. Under 70,000-sq.-ft. stores will eliminate compressors, fittings, tool chests, shopvacs, bath shops and garage door openers. Larger major metro stores will retain paint and sundries, wallpaper, lighting, bulbs, disposals, water heaters, fans, heating equipment and dehumidifiers.

Even Sears has seen its traditional dominance in paint begin to erode. John Parson, home improvement group vp, acknowleged that home centers' marketing wars have affected Sears' business, most notably footballing paint prices.

Perspectives

annual report

Wheeling and dealing in 1985 mirrored 1984 trend

(Continued from page 23)

producing states, put a squeeze on profits at both large and small firms.

In March, Evans Products, the Miami-based chain that generated over $1 billion in sales from five chains in 1984, filed for Chapter 11. That same month, The Home Shop, a 23-unit subsidiary of American Shelter Industries, also filed for Chapter 11 protection. Houston-based Walker-Kurth, in the heart of what has been referred to as Texas' "Doombelt," closed its doors after 34 years in that market.

In July, Scotts Seaboard Corporation sold off its 17 Scott's home centers to General Host Corporation, which planned to reopen those units as nursery outlets. And, in November, Homecrafters began closing its 11 warehouse stores, before filing for Chapter 11 early this year.

1985 saw several large building material suppliers get out of the retail home center business. Boise's divestitures left that company with just 26 stores doing $130 million in business at the end of 1985. The previous year, that company generated $390 million in sales from 77 stores.

Like Boise, Weyerhaeuser also pruned its retail home center division. The giant Tacoma, Wash., supplier sold its five-unit Dixieline Lumber subsidiary to Nortek, a Providence, R.I., firm in November, and another Weyerhaeuser subsidiary, Everitt Lumber, closed or sold its four Colorado home centers.

A few new companies were started: W. R. Grace unveiled HomeQuarters Warehouse; Eclipse Industries and Erb Lumber joined forces to unleash DIY Home Warehouse on Cleveland; Busy Beaver executive Jack Fagen split 13 stores off that chain to form Fagen's.

1985 also saw the industry's romance with the warehouse concept begin to wane. Several companies, including Homecrafters, Lindsley and now Hechinger, pulled away from the warehouse style of business, leaving that mode of retailing dominated by a "Gang of Four" composed of Home Depot, Builders Square, Mr. HOW and HomeClub.

But, while many chains as well as stock analysts expressed their disenchantment with warehouse retailing, it was those four warehouse chains, plus one quasi-warehouse company (Mr. Goodbuys), that experienced the greatest percentage growth in total sales last year.

They were also among the fastest growing chains in store count. Depot added 19 units, Builders Square and Mr. HOW opened 15 new stores and HomeClub grew by 12 units last year.

The nation's largest home improvement retailer, Lowe's also was the fastest growing in unit count. Mainly due to its purchase of the 23 Boise stores, Lowe's led all chains with an increase of 34 units in 1985. Other fast-growers were Florida-based Scotty's with 14 new additions and Kansas City's Payless Cashways, which added 12 stores.

Falling oil prices create new 'Doombelt'

(Continued from page 23)

ing.

Austin independent Calcasieu Lumber experienced the best year in its 103-year history in 1984, when sales hit $56 million. According to finance vp Terry Arndt, 1985's sales of $42 million are more typical of what the company normally generates per year.

Housing starts down

Arndt said that Austin is over-built because of the 1984 boom. The city showed a 17.7% drop in single-family housing starts last year, according to the NAHB.

Oil business takes toll

"The oil and gas business is taking its toll in Texas," said Larry Grotheus, president of M. G. Building Materials, a four-unit, $58 million chain based in San Antonio, where single-family starts plunged 15.6%. Grotheus attributed flat sales to the overall economy.

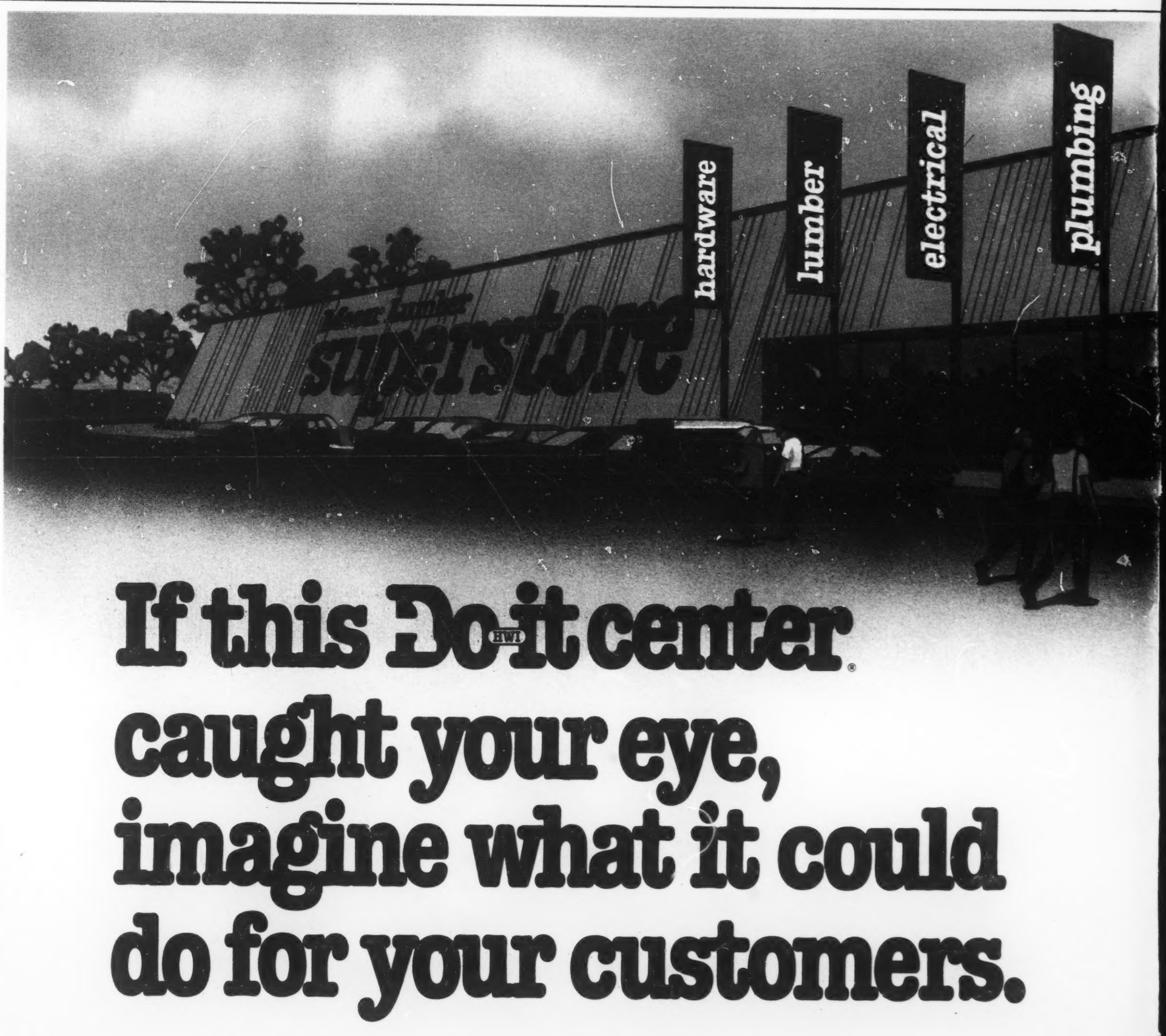
In Oklahoma, "only half the houses that were built in 1984 were constructed last year; plus there were 78% fewer apartments built, which doesn't impact our business directly, but tells you what's going on down here," said Tom Hughes, president of Tulsa-based Hughes Lumber, which did about $21 million at its 10 stores.

Single-family starts declined 23.2% in Tulsa, according to the NAHB.

McCoy's posts gain

One of the few Texas-based companies to report a sales gain in 1985 was McCoy's Building Supply, based in San Marcos. The 65-store chain chaulked up a 7% gain to $193 million. Company marketing vp Brian McCoy was fairly optimistic about prospects for 1986.

"Even though some of our markets are pretty soft, and we expect Houston to continue to be pretty competitive, we're looking for a good year," said McCoy.



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Jim Moser
Moser Lumber Do-it center®
Naperville, Illinois

CALENDAR

(Continued from page 94)

ference, Dallas. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

Sept. 28-Oct. 1
11th Annual Internal Auditors Conference, Chicago. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

Sept. 28-Oct. 1
Operations and Distribution Conference, New Orleans. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

Sept. 29-Oct. 10
Cotter & Company's Semi-Annual Red Carpet Market & Convention, Chicago. Contact, Leo McPhee, market manager, 312-975-2860.

October

Oct. 4-6
United Hardware Distributing Co.'s Fall Market and Convention, Minneapolis Auditorium and Convention Center, Hyatt Regency Hotel, Minneapolis. Contact Elroy Austin, show manager, 612-559-1800.

Oct. 12-14
American Hardware Supply Company's Second Fall Market, Memphis, Tenn. Contact Patricia Ellam, 412-283-4567.

Oct. 17-19
Retail Advertising Seminar, Chicago. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

Oct. 18-21
Ace's 1986 Fall Convention and Exhibit, Georgia World Congress Center, Atlanta. Contact Leo Nadolske, 312-887-6751.

Oct. 18-21
H.W.I., Indiana Convention Center, Indianapolis, Ind. 219-749-8531.

Oct. 19-22
10th World Conference of Retailers, Zurich, Switzerland. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

November

Nov. 6-9
Mountain States Lumber & Building Material Dealers Association Annual Convention, Broadmoor Hotel, Colorado Springs. Contact the association in Englewood, Colo., 303-793-0859.

Nov. 21-23
39th Annual National Decorating Products Show and Convention, Cervantes Convention Center, St. Louis. Contact Lillian Smysor, NDPA, 314-991-3470.

Dec. 4-5
Store Planning and Design Conference, New York. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

Key Dates for 1987

Jan. 11-14
76th Annual NRMA Convention and Exposition, New York. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

Feb. 22-25
International Hardware Show, Cologne, West Germany. Telex-8873426, or contact AHMA, 312-885-1025.

Oct. 18-21
National Hardware Convention, Sheraton Center, Toronto. 312-885-1025.

1987

Jan. 9-11
Northeastern Retail Lumbermens Assn. 93rd Annual Convention, America/East Building Materials Exposition, World Trade Center, Boston. Contact Fran Cocuzzi, 716-325-1626.

Jan. 12-14
American Hardware Supply Company's Lumber Market, Orlando, Fla.

Oct. 18-20
American Hardware Supply Company's Fall Market, Memphis, Tenn.

When's your show?
If home center operators will be attending your show, association convention or special seminar, *NHCN* wants to know. Send date, location and schedule to: Calendar, *National Home Center News,* Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

Lumber City gains direct-shipping from Weyerhaeuser deal

(Continued from page 16)

provide some items—such as sheetrock, roofing, fencing, insulation and nails—Weyerhaeuser still must make weekly bids in competition with other suppliers.

But Weyerhaeuser is slowly expanding its sku count with Lumber City, Belluschi said, adding landscape timbers and railroad ties in January.

"Retailers have a fairly steady need for commodity material," Belluschi said, adding that, in contrast, contractor needs fluctuate widely. "Having Lumber City as a year-round customer keeps our trucks running."

Belluschi added, "In southern California, contractor job sites close up when it rains, but business booms on the consumer side. Instead of going to the beach, do-it-yourselfers build bookshelves in the garage."

Lumber City determines what it will pay Weyerhaeuser for its products only once every four or five weeks versus the common industry practice of bidding on a weekly or per-order basis. These prices are set at the beginning of the month and do not change despite the rise and fall in commodity prices.

"The pricing arrangement is based on industry price levels," Doug Williams, president and ceo of Lumber City, said. "To date, it has worked very satisfactorily."

Weyerhaeuser's Still said Weyerhaeuser rarely fails to fill orders. Out-of-stock products are usually shipped in the following week's delivery.

"One of the components of the program is that we guarantee Lumber City product availability," Still said. "We probably achieve 97% accuracy in order fill."

Williams summarized: "Lumber City has found a suppler with a larger amount of stock which allows for better continuity of supplies....and a better guarantee of quality, service and flexibility, as well as expertise in the lumber market."

Phil Neiman said Weyerhaeuser is planning to put some signs in stores to alert DIY customers to the exclusive Weyerhaeuser woodproducts offerings.

"And we've put the Weyerhaeuser logo in a few of our ads," Phil Neiman said. "We figure that since the product comes from a Weyerhaeuser mill, noting that fact in our advertising might promote some customer goodwill."

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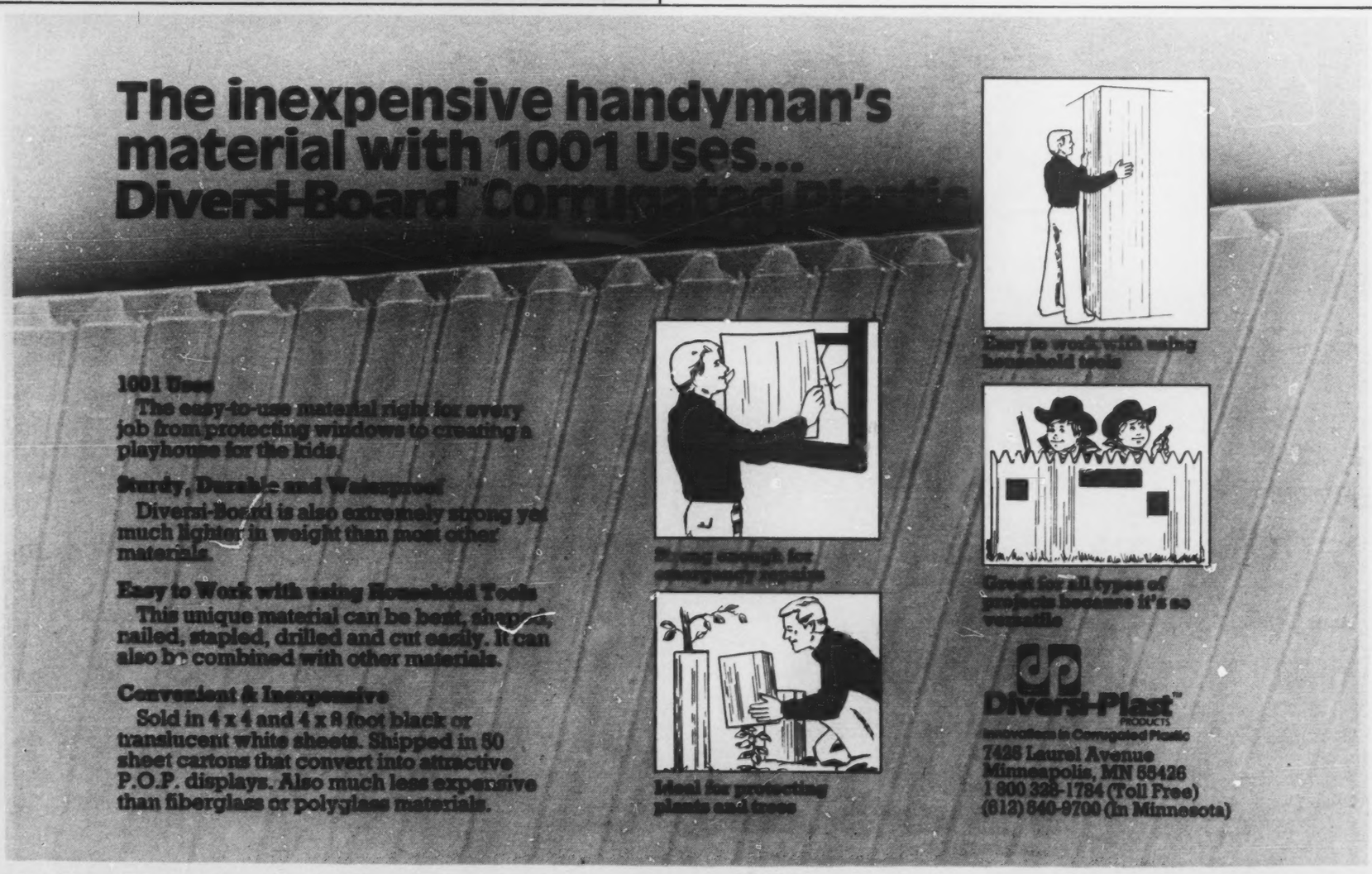
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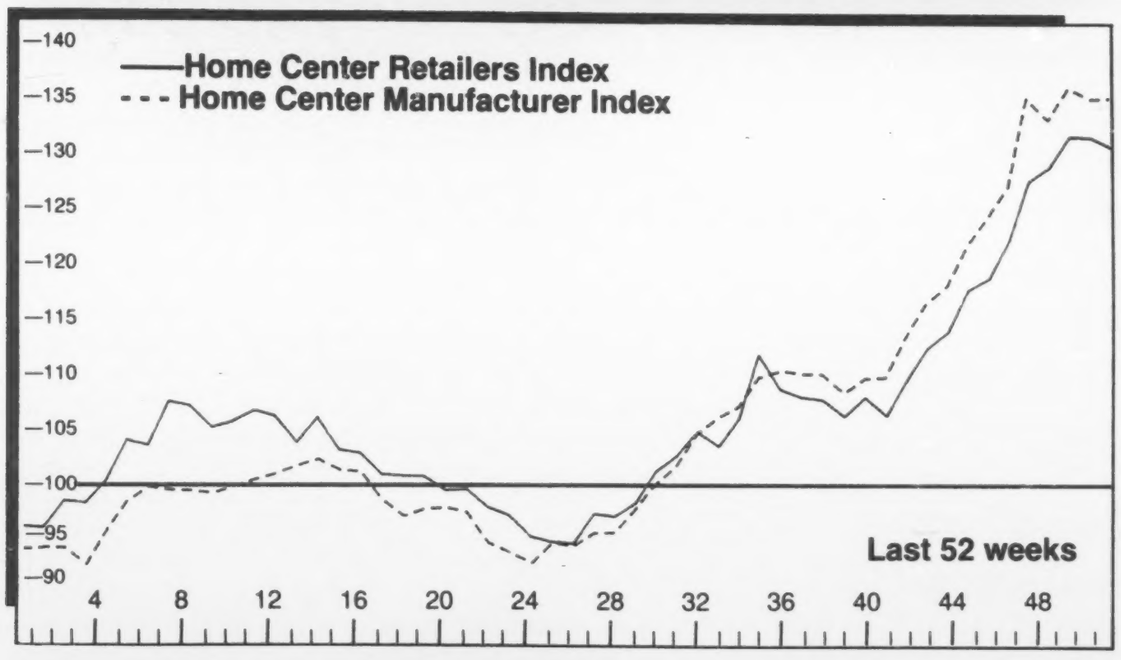
FINANCIAL NEWS

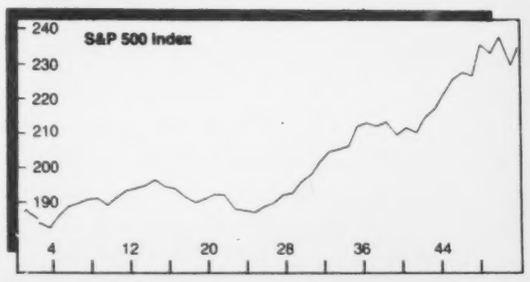


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
4-18-86	(100)	%	%
Natl Gypsum ..... N	112,780	566.5	38.7
Potlatch Cp ..... N	4,133	231.3	11.0
INTERCO Inc ..... N	5,499	229.9	4.3
Wickes Cos ..... A	228,234	218.1	13.6
Black & Decker ..... N	56,889	198.7	11.8
Homecrafters Whse ..... M	1,351	178.9	.0
Forest City Ent ..... A	318	178.6	1.3
Supermkts Gen ..... N	5,762	174.4	.0
DeSoto Inc ..... N	710	170.9	- .3
Grace W R ..... N	40,442	166.7	9.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Company & Market	2-Weeks Ended 4-18-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Natl Gypsum ..... N	68.50	38.7	112,780
Home Depot ..... N	17.88	22.2	14,267
Walter, Jim ..... N	47.63	16.2	10,953
MacMlln Bldel ..... N	23.75	15.2	499
Payless Cash ..... N	26.13	13.6	22,372
Wickes Cos ..... A	6.25	13.6	228,234
Armstrng Wrld ..... N	63.38	13.2	10,927
Black & Decker ..... N	22.50	11.8	56,889
Lowe's Cos ..... N	40.25	11.0	14,275
Potlatch Cp ..... N	46.50	11.0	4,133
Losers	**$**	**%**	**(100)**
Natl Hardgoods ..... M	6.75	- 8.5	107
Manville Cp ..... N	7.13	- 8.1	12,059
Mich General ..... A	4.13	- 5.7	1,484
Mor-Flo Inds ..... M	17.63	- 4.7	151
SW Forest Ind ..... N	13.88	- 4.3	1,544
Emhart Corp ..... N	39.00	- 2.8	5,796
Thos Inds ..... N	23.25	- 2.6	657
DeSoto Inc ..... N	39.88	- .3	710
Triangle Pac ..... N	53.25	.0	0
Natl Lumber ..... M	4.75	.0	375

HOME CENTER MARKET SUMMARY

National Home Center News

Stock Market

Company and Market	2-Weeks Ended 4-18-86	Price 2-Weeks Change Amt.	Price 2-Weeks Change Pct.	Price 2-Week Range High	Price 2-Week Range Low	Price 52-Week Range High	Price 52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%
Retailers														
Color Tile ..... M	22.75	1.25	5.8	23.00	21.00	23.50	15.25	7,399	7.87	3.71	112.1	15.5	.00	.0
Erb Lumber ..... M	65.00	2.00	3.2	66.50	63.00	66.50	20.75	42	.47	.66	- 28.8	9.4	.00	.0
Forest City Ent ..... A	29.75	.38	1.3	29.75	29.25	29.75	20.63	318	.78	.28	178.6	31.6	.30	1.0
Grace W R ..... N	53.75	4.75	9.7	55.00	48.38	57.25	35.50	40,442	7.44	2.79	166.7	19.1	2.80	5.2
Handyman ..... A	28.88	.38	1.3	29.00	28.13	29.88	21.75	337	1.33	.61	118.0	NA	.15	.5
Hechinger A ..... M	26.25	.50	1.9	26.75	24.75	27.00	16.00	5,059	5.79	3.22	79.8	NA	.16	.6
Hechinger B ..... M	26.50	.50	1.9	26.50	25.00	27.00	16.00	1,108	.82	.61	34.4	27.3	.08	.3
Homecrafters Whse ..... M	1.75	.00	.0	2.00	1.63	8.75	1.00	1,351	4.77	1.71	178.9	NE	.00	.0
Home Depot ..... N	17.88	3.25	22.2	18.13	14.25	20.38	10.50	14,267	5.68	2.98	90.6	54.2	.00	.0
INTERCO Inc ..... N	79.25	3.25	4.3	80.00	73.50	80.00	62.75	5,499	3.86	1.17	229.9	13.6	3.08	3.9
K mart Cp ..... N	48.00	2.25	4.9	48.13	43.75	48.13	30.63	78,201	6.22	3.23	92.6	27.7	1.48	3.1
Lowe's Cos ..... N	40.25	4.00	11.0	40.25	35.75	41.38	20.75	14,275	3.85	2.20	75.0	24.5	.40	1.0
Mich General ..... A	4.13	- .25	- 5.7	4.75	4.13	6.75	3.25	1,484	1.31	1.50	- 12.7	NE	.00	.0
Natl Hardgoods ..... M	6.75	- .63	- 8.5	7.63	6.75	9.00	5.50	107	.87	.50	74.0	11.8	.00	.0
Natl Lumber ..... M	4.75	.00	.0	4.75	4.50	7.25	4.00	375	.67	.64	4.7	23.8	.00	.0
Pay N Pak ..... N	16.13	1.13	7.5	16.13	14.63	16.13	11.63	2,445	2.44	1.62	50.6	19.7	.64	4.0
Payless Cash ..... N	26.13	3.13	13.6	26.25	22.00	26.25	13.50	22,372	6.46	3.27	97.6	22.9	.16	.6
Scotty's Inc ..... N	17.00	1.25	7.9	17.13	15.50	17.63	12.38	2,956	2.05	1.03	99.0	16.0	.52	3.1
Sears, Roebuck ..... N	48.00	1.50	3.2	48.75	44.63	50.38	31.75	76,831	2.11	1.21	74.4	13.6	1.76	3.7
Svc Merchandise ..... M	14.88	.88	6.3	15.13	14.13	16.13	11.25	18,053	5.42	3.81	42.3	46.5	.08	.5
Std Brd Pnt ..... N	23.25	1.13	5.1	23.63	21.00	24.75	18.75	3,406	3.01	1.56	92.9	16.6	.56	2.4
Supermkts Gen ..... N	56.00	.00	.0	56.63	53.75	59.38	38.38	5,762	3.21	1.17	174.4	15.7	.48	.9
Wickes Cos ..... A	6.25	.75	13.6	7.00	5.38	7.00	3.44	228,234	23.22	7.30	218.1	NA	.00	.0
Wolohan Lumber ..... M	8.75	.13	1.4	8.75	8.25	9.00	5.25	1,395	2.38	1.86	28.0	14.6	.16	1.8
Zayre Corp ..... N	77.25	5.63	7.9	78.50	71.25	78.50	43.69	7,624	2.60	1.70	52.9	23.9	.64	.8
Wholesalers														
Lewis Palmer ..... M	9.38	.25	2.7	9.50	9.00	9.88	6.38	880	2.25	1.97	14.2	40.8	.28b	3.0
Manufacturers														
Allegheny Int ..... N	23.00	.50	2.2	23.38	20.88	28.75	16.50	2,792	2.60	3.33	- 21.9	NE	.00	.0
Am Standard ..... N	42.88	.13	.3	45.38	41.50	46.88	26.75	8,239	2.10	1.51	39.1	13.8	1.60	3.7
Armstrng Wrld ..... N	63.38	7.38	13.2	63.50	54.75	63.50	31.88	10,927	4.56	2.08	119.2	15.1	1.30	2.1
Black & Decker ..... N	22.50	2.38	11.8	22.63	18.63	23.88	17.25	56,889	11.20	3.75	198.7	29.6	.64	2.8
Boise Cascade ..... N	57.00	2.50	4.6	58.63	54.38	59.88	38.25	9,830	3.63	2.52	44.0	16.5	1.90	3.3
Certain-teed ..... N	36.38	3.00	9.0	37.13	31.38	37.13	22.25	6,389	3.37	1.53	120.3	12.6	.90	2.5
Champ Intl ..... N	26.88	.63	2.4	28.50	25.25	29.75	20.25	31,414	3.38	2.07	63.3	16.9	.52	1.9
Clopay Corp ..... A	19.00	1.00	5.6	19.50	17.75	22.00	11.25	297	1.92	.86	123.3	NE	.16	.8
DeSoto Inc ..... N	39.88	- .13	- .3	41.00	39.00	41.00	31.50	710	1.49	.55	170.9	12.0	1.40	3.5
Emhart Corp ..... N	39.00	- 1.13	- 2.8	39.88	37.25	42.63	26.25	5,796	2.09	.91	129.7	13.4	1.40	3.6
Georgia-Pacific ..... N	32.63	2.38	7.9	33.75	30.13	33.75	20.50	35,180	3.41	2.03	68.0	21.2	.80	2.5
Insilco Corp ..... N	22.88	.63	2.8	23.75	21.75	24.50	16.63	3,722	1.89	1.30	45.4	16.7	1.00b	4.4
La Pacific ..... N	27.88	.75	2.8	29.75	26.75	30.13	17.13	9,800	2.68	1.60	67.5	38.7	.80b	2.9
MacMlln Bldel ..... N	23.75	3.13	15.2	23.75	20.25	23.75	12.47	499	.16	.09	77.8	44.0	.00a	.0
Manville Cp ..... N	7.13	- .63	- 8.1	8.13	7.00	8.88	5.13	12,059	5.02	3.91	28.4	NE	.00	.0
Masco Corp ..... N	58.63	3.88	7.1	59.00	52.00	60.50	28.50	10,405	1.62	1.15	40.9	22.9	.64	1.1
Mor-Flo Inds ..... M	17.63	- .88	- 4.7	18.13	17.63	19.75	14.50	151	.60	.77	- 22.1	10.7	.01	.1
Natl Gypsum ..... N	68.50	19.13	38.7	68.50	49.25	68.50	25.09	112,780	49.39	7.41	566.5	13.6	1.52	2.2
Newell Co ..... N	31.13	1.13	3.8	31.63	28.75	31.63	15.13	2,442	2.83	1.99	42.2	14.9	.70	2.2
Owens Corning ..... N	54.25	3.25	6.4	55.75	49.50	56.75	30.75	17,457	5.86	2.87	104.2	12.8	1.40	2.6
Ply-Gem ..... A	14.50	1.00	7.4	14.75	13.50	15.50	8.84	4,135	5.63	2.52	123.4	22.0	.12	.8
Pope & Talbot ..... N	21.00	.50	2.4	22.50	20.00	24.75	16.75	1,508	2.52	1.28	96.9	18.9	.80	3.8
Potlatch Cp ..... N	46.50	4.63	11.0	47.50	41.25	47.50	32.25	4,133	3.18	.96	231.3	18.8	1.56	3.4
Sherwin-Wms ..... N	30.75	2.38	8.4	32.25	28.38	32.25	16.63	8,477	1.84	.99	85.9	18.8	.50	1.6
SW Forest Ind ..... N	13.88	- .63	- 4.3	15.00	13.75	15.88	9.88	1,544	1.66	2.02	- 17.8	NE	.00	.0
Stanley Works ..... N	45.00	1.25	2.9	45.00	41.63	46.25	26.50	5,455	1.90	1.17	62.4	15.8	1.04	2.3
Thos Inds ..... N	23.25	- .63	- 2.6	23.88	22.63	26.75	14.41	657	.73	.52	40.4	12.8	.68b	2.9
Triangle Pac ..... N	53.25	.00	.0	0.00	23.97	53.38	26.00	0	.00	2.76	-100.0	13.0	1.00	1.9
USG Corp ..... N	74.00	6.25	9.2	74.75	66.25	74.75	30.75	8,297	2.49	1.65	50.9	11.0	1.92	2.6
Walter, Jim ..... N	47.63	6.63	16.2	47.88	40.41	48.00	24.81	10,953	4.14	2.50	65.6	12.0	1.40	2.9
Waxman Ind ..... M	16.50	.50	3.1	16.50	16.00	16.88	9.63	952	3.03	1.79	69.3	30.6	.08	.5
Weyerhaeuser ..... N	38.00	2.00	5.6	40.25	35.25	40.25	24.75	33,529	2.58	1.45	77.9	28.8	1.30	3.4

Financial Update

Company and Market	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers															
Color Tile ..... M	.....	6 mos.	12-85	87.2	4.8	3.3	- 2.9	.34	- 8.1	182.2	14.8	6.6	6.5	.70	2.9
Erb Lumber ..... M	.....	fiscal	12-85	47.9	33.8	1.8	125.0	2.01	105.1	190.2	29.0	6.1	110.3	6.88	110.4
Forest City Ent ..... A	NEW	fiscal	01-86	81.0	7.6	3.8	322.2	.49	444.4	281.0	6.2	7.4	89.7	.94	91.8
Grace W R ..... N	.....	fiscal	12-85	2013.2	10.0	44.7	- 24.4	.86	- 29.5	7260.1	7.9	146.9	- 24.9	2.82	- 29.9
Handyman ..... A	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	.....	fiscal	01-86	116.8	14.1	6.6	8.2	.27	.0	479.0	18.2	23.1	10.5	.97	5.4
Homecrafters Whse ..... M	.....	9 mos.	10-85	45.4	' 9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot ..... N	.....	fiscal	01-86	203.7	73.5	2.6	- 27.8	.11	- 21.4	700.7	61.9	8.2	- 41.8	.33	- 41.1
INTERCO Inc ..... N	NEW	fiscal	02-86	583.0	.4	30.9	NC	1.95	54.8	2510.7	- 4.4	92.3	27.8	5.84	31.2
K mart Cp ..... N	.....	fiscal	01-86	6752.2	- 1.8	10.5	- 94.9	.09	- 94.3	22420.0	6.3	221.2	- 55.7	1.73	- 54.9
Lowe's Cos ..... N	.....	fiscal	01-86	475.6	26.5	11.3	7.6	.31	6.9	2072.6	22.7	59.7	- 2.8	1.64	- 3.5
Mich General ..... A	.....	fiscal	12-85	103.6	- 1.4	(11.4)	- 100.0	(1.01)	- 100.0	439.0	- 2.3	(34.6)	- 100.0	(3.06)	- 100.0
Natl Hardgoods ..... M	.....	9 mos.	10-85	7.5	1.4	.1	.0	.09	NC	24.5	7.9	.4	.0	.32	- 8.6
Natl Lumber ..... M	.....	9 mos.	10-85	33.7	.9	.1	- 66.7	.02	- 60.0	101.6	6.8	.8	- 20.0	.14	- 22.2
Pay N Pak ..... N	.....	fiscal	02-86	74.6	21.3	1.3	8.3	.13	8.3	333.8	9.4	8.2	- 18.8	.82	- 18.8
Payless Cash ..... N	.....	3 mos.	02-86	274.5	7.7	2.4	50.0	.07	40.0	274.5	7.7	2.4	50.0	.07	40.0
Scotty's Inc ..... N	NEW	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	.....	fiscal	12-85	12068.2	5.2	552.3	- 1.9	1.50	- 2.6	40715.3	3.9	1303.3	- 10.4	3.53	- 12.0
Svc Merchandise ..... M	.....	fiscal	12-85	1105.5	51.4	29.1	- 17.1	.87	- 23.7	2526.5	52.5	10.7	- 76.0	.32	- 78.1
Std Brd Pnt ..... N	.....	fiscal	01-86	71.6	1.3	1.6	- 64.4	.14	- 65.0	338.0	7.3	15.8	- 24.0	1.40	- 25.1
Supermkts Gen ..... N	.....	fiscal	01-86	1356.3	1.5	21.6	- 2.3	1.21	- 3.2	5122.6	17.9	63.7	21.6	3.56	20.7
Wickes Cos ..... A	NEW		01-86	NC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber ..... M	.....	fiscal	12-85	37.4	3.3	1.3	62.5	.22	57.1	150.7	8.3	3.5	34.6	.60	33.3
Zayre Corp ..... N	.....	fiscal	01-86	1499.0	47.1	37.9	9.2	1.14	- 11.6	4036.0	29.2	94.6	17.8	3.23	8.0
Wholesalers															
Lewis Palmer ..... M	.....	fiscal	01-86	30.6	- .3	.1	NE	.01	NE	141.0	- 2.4	.9	- 18.2	.23	- 23.3
Manufacturers															
Allegheny Int ..... N	.....	fiscal	12-85	537.5	- 7.4	(52.8)	NE	(5.61)	NE	2056.7	- 2.8	(109.1)	- 100.0	(13.08)	NE
Am Standard ..... N	NEW	fiscal	12-85	774.3	- 10.2	36.3	17.9	.92	17.9	2912.4	- 9.4	122.1	6.3	3.10	1.0
Armstrng Wrld ..... N	.....	fiscal	12-85	426.0	11.4	22.6	20.2	.94	19.0	1679.2	7.0	100.9	9.4	4.20	10.8
Black & Decker ..... N	.....	3 mos.	12-85	521.7	3.7	20.9	- 27.9	.41	- 28.1	521.7	3.7	20.9	- 27.9	.41	- 28.1
Boise Cascade ..... N	.....	fiscal	12-85	892.7	- 1.6	19.0	NE	.61	NE	3737.2	- 2.1	104.3	49.9	3.45	54.7
Certain-teed ..... N	NEW	3 mos.	03-86	255.0	.8	10.5	28.0	.56	36.6	255.0	.8	10.5	28.0	.56	36.6
Champ Intl ..... N	.....	fiscal	12-85	1194.7	- 29.3	38.1	NE	.37	NE	5769.8	12.7	163.1	NE	1.59	NE
Clopay Corp ..... A	.....	fiscal	12-85	35.5	- 2.5	(.2)	- 100.0	(.14)	- 100.0	139.2	3.9	(1.9)	- 100.0	(1.24)	- 100.0
DeSoto Inc ..... N	NEW	3 mos.	03-86	96.8	4.1	2.4	200.0	.51	200.0	96.8	4.1	2.4	200.0	.51	200.0
Emhart Corp ..... N	.....	fiscal	12-85	484.4	8.1	23.6	- 7.8	.87	26.1	1775.0	- 1.1	80.0	- 11.5	2.90	- 11.3
Georgia-Pacific ..... N	.....	fiscal	12-85	1590.0	- 10.0	3.0	NE	(.02)	NE	6716.0	.5	177.0	NE	1.54	58.8
Insilco Corp ..... N	.....	fiscal	12-85	174.7	- 3.4	3.6	- 50.7	.17	- 57.5	811.8	3.2	26.1	- 20.9	1.37	- 24.7
La Pacific ..... N	.....	fiscal	12-85	312.6	10.2	6.8	- 67.6	.19	- 69.4	1260.9	2.5	25.5	- 39.6	.70	- 41.2
MacMlln Bldel ..... N	.....	fiscal	12-85	601.7	4.0	20.4	- 15.0	.44	- 21.4	2335.4	9.8	42.9	122.3	.54	NE
Manville Cp ..... N	.....	fiscal	12-85	536.4	17.5	20.9	14.8	.61	22.0	1941.8	7.0	(45.1)	- 100.0	(2.92)	- 100.0
Masco Corp ..... N	.....	fiscal	12-85	704.9	228.3	141.3	551.2	1.42	330.3	1154.0	13.2	164.5	41.9	2.56	28.0
Mor-Flo Inds ..... M	.....	fiscal	12-85	53.2	.0	.5	- 72.2	.20	- 70.1	206.2	2.9	4.2	- 36.4	1.65	- 36.3
Natl Gypsum ..... N	.....	fiscal	12-85	62.6	- 85.4	19.5	- 22.6	.86	- 20.4	1340.0	- 22.0	116.1	8.7	5.02	9.6
Newell Co ..... N	.....	fiscal	12-85	96.6	7.6	5.5	31.0	.61	32.6	350.0	13.5	18.9	33.1	2.09	29.0
Owens Corning ..... N	NEW	3 mos.	03-86	866.1	27.7	22.9	- 18.2	.77	- 18.9	866.1	27.7	22.9	- 18.2	.77	- 18.9
Ply-Gem ..... A	.....	fiscal	12-85	43.5	15.7	1.1	- 15.4	.15	- 31.8	166.5	3.5	4.2	- 6.7	.66	- 18.5
Pope & Talbot ..... N	.....	fiscal	12-85	74.9	- 5.1	.6	NE	.10	NE	325.2	1.6	6.7	NE	1.11	NE
Potlatch Cp ..... N	NEW	3 mos.	03-86	233.3	- .6	13.6	18.3	.95	41.8	233.3	- .6	13.6	18.3	.95	41.8
Sherwin-Wms ..... N	NEW	3 mos.	03-86	502.7	2.2	6.9	21.1	.15	15.4	502.7	2.2	6.9	21.1	.15	15.4
SW Forest Ind ..... N	.....	fiscal	12-85	169.2	- 10.9	(5.0)	- 100.0	(.42)	NE	700.1	- 9.9	(12.3)	- 100.0	(1.67)	- 100.0
Stanley Works ..... N	.....	fiscal	12-85	322.4	5.4	25.7	14.7	.93	14.8	1208.3	4.3	78.3	8.1	2.85	9.6
Thos Inds ..... N	.....	fiscal	12-85	77.6	.6	4.2	7.7	.46	2.2	309.5	6.1	16.2	1.9	1.81	1.7
Triangle Pac ..... N	NEW	3 mos.	03-86	62.4	.5	3.4	30.8	.90	45.2	62.4	.5	3.4	30.8	.90	45.2
USG Corp ..... N	.....	fiscal	12-85	635.2	4.0	53.9	30.5	1.63	31.5	2526.5	9.0	223.8	19.9	6.71	19.0
Walter, Jim ..... N	.....	6 mos.	02-86	517.0	- 1.8	18.3	22.0	.26	- 52.7	1079.1	- .5	50.0	18.8	1.42	- 7.8
Waxman Ind ..... M	.....	6 mos.	12-85	23.3	14.2	.5	.0	.17	- 43.3	44.8	9.5	1.1	- 8.3	.35	- 50.0
Weyerhaeuser ..... N	.....	fiscal	12-85	1238.0	- 12.1	63.6	132.1	.43	168.8	5205.6	- 6.2	200.1	- 11.5	1.32	- 13.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Evans nixes compromise reorganization plan

(Continued from page 1)
bankruptcy postulated that Posner, who controls 43% of Evans' common stock, is simply holding out for a better deal for his personal interests.

And past claims that Posner is representing the interests of all of Evans' shareholders were undercut when the non-insider equity committee—basically shareholders other than Posner— filed suit against Evans on April 24, petitioning the Bankruptcy Court to compel Evans' board to accept the compromise plan, or appoint an outside trustee. In the second week of April, this committee, which controls all of Evans' preferred stock, and the common shares not held by Posner interests, voted to accept the compromise.

Thrust and parry

Several weeks earlier, a tentative agreement had been reached by the lenders and the company that called for repayment of around $500 million of the more than $700 million in debt Evans owes to trade, bank and equity creditors through the issuance of new debentures, zero coupon notes and common stock in the reorganized company, reflecting the plan originally proposed by Evans' bank lenders (*NHCN*, March 24).

That agreement hit a snag last month when the banks decided they didn't want to distribute the stock of Evans Transportation Co. (ETC) to remunerate the company's existing holders of equity.

More stock to be issued

To resolve this dilemma, the compromise called for the stock of ETC being retained in an Asset Holding Co. set up by the banks to dispose of or liquidate all of Evans' nonretail holdings.

To compensate the shareholders, the compromise plan would increase the distribution of common stock in the newly-organized Evans Products Co. to 20 million shares from the original 10 million shares, of which the current stockholders, including Posner, get 2 million shares.

Through warrants, shareholders can buy another 3,529,400 shares of stock, which could give them 25% of total shares. The stock is estimated to be worth $18 million by Drexel Burnham Lambert, Evans' banker. The warrant price will be 125% of the average trading price 151 to 180 days after the effective distribution date. The warrant price was 133% of the average before the compromise.

Two plans may go out for vote

When asked what was next if no compromise can be reached, Richard Grey, an attorney for the lenders from the San Francisco law firm Pillsbury, Madison & Sutro said "that's an excellent question."

He suggested that if the banks couldn't get the support of the company for the compromise, they would submit their original reorganization plan—which offered no remuneration to any equity holders—to the various creditors committees for a vote.

At which point, it is likely the company would also submit its plan, which could lead to a prolonged free-for-all.

"It seems to me we're right back to square one again," said another Evans executive.

However, the banks have as their Ace in the hole the endorsement of their plan by the the trade creditors committee, which could play a pivotal role in which plan is ultimately accepted by the court.

Remodelers optimistic on outlook for 1986

(Continued from page 1)
year will produce a lot of business contributed to the success of the show, the largest ever for the trade group, its organizers announced.

An estimated 10,000 remodelers toured the 147,000 sq. ft. of exhibition space that housed 467 exhibitors, an increase of 14% over last year, said Jacelyn Ayres, NARI's director of communications.

In addition, 24 educational seminars on such topics as image building, developing leads, estimating and bill collecting, were held to standing-room-only crowds.

Remodelers tallied $52.1 billion in sales last year, according to NARI. The industry is expected to post sales of $58.4 million this year and by 1990 professional remodeling is expected to become an $82 billion industry. Over the next 15 to 20 years, Ayres said professional remodeling is projected to swell to $200 billion.

Tom Mistele, owner of Aztec Builders in Madison, Wis., said he feels 1986 will be a great year for him because he did as much business in the first six months of 1986 as he did all of last year. "If things get going, I could almost double my business this year," he said. Mistele said his receipts for 1985 were $200,000.

Ron Shiefen, owner of Schiefen Construction of Rochester, N.Y., said he will double his sales this year, to $500,000. "Things look good," he said, noting that low interest rates have spawned renewed interest in remodeling and new construction in Rochester, N.Y.

NARI is a non-profit organization of 3,500 members with 55 chapters nationwide. According to information released during the show, 25%, or 10,326 firms, tally sales of $1 million or more a year. Another 22.5% or 9,333, report sales between $100,000 and $249,000 annually.

NARI officials reported that window and door projects, which totaled more than $9.5 billion last year, were the top volume-producing projects for remodelers in 1985. Storm windows, with 23 million units sold last year, was the lead project in terms of units sold and installed. Window replacements, at 21.3 million units, was second.

Bathrooms were named by 74.3% of the remodelers as the leading project they sell and install, with jobs numbering 32,615. Kitchens were second with 74.2% of the remodelers listing the project and 32,572 projects either sold and/or installed.

NARI officials announced the creation of Remodelcare, a program designed to identify professional remodelers and help consumers solve any problems with work done by participating members. Launched last February, Remodelcare was developed with the help of the Council of Better Business Bureaus.

Steve Foster, NARI manager of field services, explained that under the program, participating remodelers agree to binding arbitration, when needed, which is handled locally by the Better Business Bureau.

NARI also is stepping up its efforts with its 3-year-old Certification Program, an association licensing procedure for remodelers. The program is being reviewed and enhanced and will eventually include a testing program.

Currently remodelers can gain their "Certified Remodeler" or C.R. designation after 10 years of working experience, said Jerry Bieder, who heads that program and is co-owner of Jarro Building Industries of East Meadow, N.Y.

During the week of the convention, NARI members voted in their 1986 board of directors. Bob Rasmussen, of Rasmussen Siding and Roofing Co., Grand Rapids, Mich., was re-elected president.

Pergament paves way for larger units

(Continued from page 1)
in late May. In addition, two warehouse units will open in New Jersey and two in New York on Long Island.

One of these units, to be built in Patchogue, N.Y., will share the 100-acre site with Marshalls, Service Merchandise and other retailers. Similarly, the newly opened Riverhead store shares its 12-acre retail site with other tenants including Waldbaums, the supermarket chain, and is built on land owned by a Pergament subsidiary.

Meanwhile, the Riverhead store offered a taste of things to come, depicting the latest merchandising ideas—not necessarily new for the industry but new to Pergament.

- Ceiling panels with recessed and track lighting were displayed over the first drive-aisle.
- The power tool department, housed in a free-standing booth at the front of the store, solved the security problem and doubled as a service center.
- The upgraded floorcovering department presented the first unified display of tiles, carpeting and flooring, which the small size of earlier Pergament stores had prevented.
- The newly expanded furniture department included beds and had complete room settings on display
- New blue and white signage, blue warehouse racking and grey pegboards replaced earlier orange and beige signage and combined to give a brighter, lighter effect.

The variation of aisle size within the store gave an illusion of greater space and sharper differentiation between departments. The seasonal department used flats placed in the wider aisles to anchor the displays of patio furniture. The 7-ft. wide aisles of warehouse racking ended abruptly at the wallcovering department, to provide space for customers to sit at tables and browse through sample books with an adjacent service desk to provide immediate help.

Live radio coverage by local radio station WALK added to the festive air of the grand opening as children sported balloons and lollipops handed out by a clown. Red banners announcing 40% to 60% off manufacturers' prices hung in the aisles, while shoppers filled in entry blanks for a chance to win one of the ten trips to Bermuda.

This grand opening was not just an upbeat occasion for the Pergament company but also an emotional one. Immediately following the opening log-sawing ceremony, the Pergament family held a luncheon for 40 employees at a Holiday Inn five miles away, marking a return to a tradition that had been suspended for the past five years.

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K&B buyers search for fashion items

(Continued from page 2)
"I'm seeing more of the rebirth of art deco styling," he said. "It doesn't seem to be just a passing fad."

Don Senne, general merchandise manager for Stambaugh-Thompson, Youngstown, was touring the show with buyer Lois Rainey to review new products in conjunction with his own chain's expansion of its kitchen departments.

Bypassing a phenomenally long lunch line to grab a Dove (ice cream) Bar at a fast food counter, Senne noted that the crowds of other buyers made it difficult to see all of the new merchandise.

Top 10 post 11% sales gain in 1985

(Continued from page 1)
than those of 1984.

- For two of the top 10 chains—84 Lumber and Evans Products — revenues declined last year.
- Among the biggest companies, the most dramatic rise was accomplished by The Home Depot, which pushed up three positions to the number 6 slot, thanks to a 62% increase in sales.
- Revenues from the top 100 companies came to $19.3 billion last year, 11% above the level of 1984. The previous year, revenues for that group of retailers increased by 18%.
- Among the top 25 chains, the most dramatic rank changes were accomplished by the warehouse operators. Both HomeClub and Mr. HOW Warehouse entered the top 25 rank for the first time, their $250 million in revenues tying them for 19th place.
- Builders Square, clocking $365 million in revenues that represented a 92% rise from the previous year, jumped from 21st to 12th place.

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Wickes buys 108-unit Grace West for $180M

By Brad Altman
NHCN staff editor

LOS ANGELES — Wickes Cos.' agreement to purchase 108 Western U.S. home centers from W.R. Grace for a reported $180 million gives Wickes the greatest number of stores by far in the hotly contested California market and increases its industry ranking to No. 2 in total sales from No. 4.

Wickes' purchase of 87-unit Grace Home Centers West headquartered in Diamond Bar, Calif., and 21-unit, San Jose-based Orchard Supply Hardware will close within 60 days of the May 5 agreement announcement, both sides said.

The Wickes-Grace deal caught many industry observers off guard. The companies held talks several months ago, however, at that time Grace wanted to sell its entire $2 billion retail division intact. In mid-April Grace announced that the package would be sold to a group headed by Harold Geneen, the former chairman of ITT.

Apparently that group ran into problems arranging financing. On Wednesday, April 30, Grace reportedly contacted Wickes chairman Sanford Sigoloff to resume negotiations.

"Our offer had been pending on the table since February and we had never removed it," said Wilhelm A. Mallory, Wickes executive vp and cfo. By the end of the weekend it was a done deal.

"It was pretty quick," said Mallory. "But keep in mind, as a company we were familiar with the stores due to their competitive locations with ours."

He added that "some of the stores, such as the Handy Dans in the Colorado market, we knew from our Daylin days." Mallory was vice president of Daylin and Sigoloff was chairman when Grace purchased the company in 1979. Now, in a twist, the men hold similar titles at Wickes and are buying back some of the stores.

Mallory noted that the purchase price was virtually the same as Wickes' original offer

(Continued on page 85)

Company bids for Homecrafters which faces Ch. 7

By Phillip M. Perry
NHCN staff editor

BIRMINGHAM, Ala. — Wickes Cos. offered to buy the troubled Homecrafters Warehouse chain late last month.

"We have made a firm and reasonable offer," said Wilhelm A. Mallory, senior executive vp for Wickes, the $2.8 billion parent company of Wickes Lumber and Builders Emporium. "We have a hope that we're dealing with a short time frame."

Another Wickes executive noted that the Homecrafters stores possess layout and size similar to those of Wickes Lumber, and that the store locations complement those of the acquiring company.

Although Wickes would not speculate on the cost of the acquisition, and its ramifications for the financial health of Wickes, Homecrafters does possess some $28 million worth of tax loss carry forwards that may be attractive to the West Coast firm. Last year, the utilization of tax loss carry forwards accounted for a little over one-third of Wickes' reported $76.1 million in net income.

(Continued on page 85)

Mr. HOW Warehouse to be sold piecemeal

By Donald Longo
NHCN staff editor

NASHVILLE — Service Merchandise will sell off its 27-unit Mr. HOW Warehouse home center chain market by market and has reached an agreement with a private company to sell its Mr. HOW stores in what Service chairman Raymond Zimmerman described as the chain's "biggest market."

Mr. HOW operates five stores in Chicago, four in Cincinatti and seven in Florida, its largest markets.

The announcements were made by Zimmerman at a shareholders' meeting April 23, said company spokesperson Jan Aggers. They coincided with the reporting of a $29.2 million first quarter loss and were followed, a day later, by the firing of some 35 people from Mr. HOW's 260-person headquarters in Margate, Fla.

Industry sources indicated that the Eau Claire, Wis.-based Menard Cashway chain

(Continued on page 85)

Service Merchandise will sell off its Mr. HOW units market by market according to Raymond Zimmerman, president of the chain. Pictured is the Virginia Beach, Va., store. NHCN photo

Liberty Distributors plans to roll out 20 to 25 of its new format stores by year's end. Pictured is the Minong, Wis., Trustworthy unit. NHCN photo

Liberty Dist. readies rollout of 'Problem Solver' store design

By Gary S. Ruderman
NHCN staff editor

DES PLAINES, Ill. — The metamorphosis of a cramped 4,000-sq.-ft. hardware store into a 15,000-sq.-ft. Trustworthy "Problem Solver" home center June 12 in Minong, Wis., signals an important new direction for the nation's largest wholesale buying group, Liberty Distributors, Inc.

Liberty's 23 distributor-members have lined up behind the "Problem Solver" approach, which debuted in September. They are now ready to rapidly roll out the program, which offers advertising, merchandising, store design and business planning support to qualified dealers.

In addition to Walker's Trustworthy Home Center in Minong, Wis., new "Problem Solver" stores will debut next month in Columbus, Ohio; Missoula, Mont.; and Portland, Me. By

(Continued on page 85)

Lower floor of McCormick out for Aug. show

By an NHCN staff editor

CHICAGO — The 155,000-sq.-ft. lower floor of the McCormick Place Convention Center expansion has been dropped as exhibit space for the August National Hardware Show here.

In addition, it is still unknown whether there will be electricity or air-conditioning to light and cool the yet unfinished 379,000-sq.-ft. upper floor of McCormick Place North, or whether that area likewise will be dropped asthe 1986 convention site.

A decision whether to drop the entire McCormick Place North building and reassign lawn, garden, outdoor power and outdoor living vendors is expected to be made byJune 15 by the National Hardware Manufacturers Association (NHMA), the show sponsors, and Cahners Exposi-

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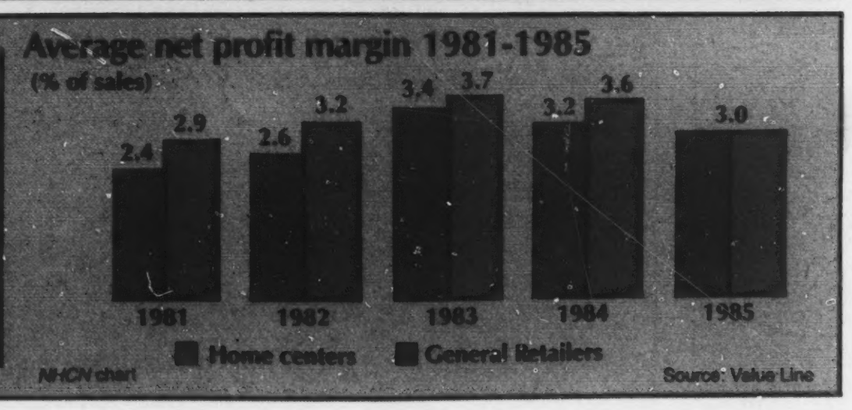


NEWSBREAKS

ERNST EXPANDS EXECUTIVE STAFF: Mike Baumann and Tim Lucia have joined Ernst Home Centers as vp-cfo and vp-marketing/advertising, respectively. Baumann was Mr. Goodbuys' cfo, while Lucia was an ad executive with Grace and Mr. HOW.

KINDT DEAL CLOSED: Wickes Lumber closed May 5 on its purchase of the fixed assets and inventory of nine Kindt Home Improvement Centers in Wisconsin. The Edward Hines Lumber Company of Chicago retains Kindt's accounts receivables.

Industry Update

Managerial changes for Michigan General

DALLAS — Michigan General has sent its corporate controller, George Kerkhove, to replace Jay Solow as vp-finance of Diamond Lumber here. In addition, Earl Christenson, who had been Diamond's vp-operations, has been reassigned as a district manager for the 96-unit chain's California area stores.

Rocco Barbieri, president of the New Jersey-based Michigan General (Diamond's parent company) said that he was unable to discuss the reasons for this recent management shakeup because Michigan is "under registration" for a stock rights offering it is making that requires Securities and Exchange Commmission approval.

Handyman lowers nationwide store count

TUCSON, Ariz. — Handyman is lowering its chainwide store count to 52 units with the closing of one of its two Tucson stores on May 16. The outlet and surrounding property were sold to a property investment group for more than $2 million.

The 40,000-sq.-ft. store, located on four acres at 302 South Wilmont Road, opened 10 years ago. Handyman continues to operate its remaining Tucson unit at 6230 North Oracle Road, a spokesman for the San Diego-based retailer said.

The buyers were identfied as Steve Soboroff and Martin Moskowitz of Santa Monica, Calif., and Bill Viner of Tucson. Their plans for the site were not revealed.

This past February, Kansas City-based Payless Cashways closed two Tucson, Ariz., stores as part of a market consolidation move. Payless now operates three stores in the Tucson market.

Mr. Goodbuys secures three new sites

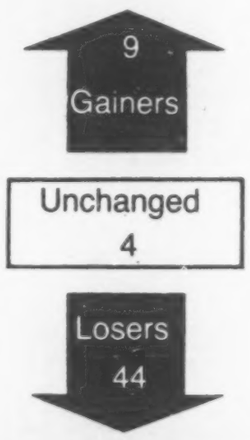
PHILADELPHIA — Mr. Goodbuys has secured three new sites in the Philadelphia/New Jersey area. Two of the second-use sites are in new markets for this nine-unit chain, in Trenton, N.J., and East Brunswick, N.J. The third is at Grand Ave., off Route 1 in the northern part of Philadelphia, and will be the fourth Mr. Goodbuys store in the Philadelphia market. The stores are scheduled to open within three months, although one may require major structural additions.

Late April home center stocks sputter

NEW YORK — Home center stocks sputtered in late April as losers outpaced gainers, 44 to 9, for the two-week period ended May 2. Four issues were unchanged.

National Lumber recorded the highest percentage gain, climbing 15.8% to $5.50. Other leading gainers were Michigan General, Wolohan Lumber, National Hardgoods and Handyman.

Among the leading losers were Manville Corp., which recently reshuffled its board of directors in seeking to gain approval of its reorganization plan; Homecrafters Warehouse, reportedly being wooed by Wickes Cos.; and Service Merchandise, which announced it is looking to sell its Mr. HOW Warehouse units.



See financial tables, page 84.

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Vol. 12, No. 11 May 19, 1986

Knox sells for $1.5 M less than original price due in part to market competition

By Laura Liebeck
NHCN staff editor

ST. PAUL, Minn. — Knox Lumber Co. was finally sold last month, but for $1.5 million less than originally intended, due in part to increased competition from other home improvement retailers in the Twin Cities area.

Effective April 23, Knox Lumber was sold to a group of investors headed by the Sterling Group of Houston, an investment banking firm, for $27.5 million plus the assumption of certain liabilities, including $7.3 million in long-term debt, according to its now-former parent, Southwest Forest Industries of Phoenix. About $22 million of the purchase price was paid in cash, with the balance in notes and preferred stock, according to Southwest Forest.

The terms of the original agreement, drafted last November, called for $29 million in cash at closing.

Security Pacific Business Credit of San Diego, which is part of Security Pacific Bank of Los Angeles, handled the financing.

The 10-unit retailer will continue operating the stores under the Knox Lumber name.

Knox posted 1985 sales of $117.9 million, revised from its previously announced $118.3 million. After-tax net income was $2.8 million, Southwest reported.

The price tag for the 10-unit Knox Lumber was "renegotiated [to be] more reflective of the company's worth," explained Frank Hevrdejs, president of the Sterling Group. He noted that a careful examination of the company and its competitive arena, which includes Menards and most recently Builders Square, helped to determine the sale price.

After the sale, Southwest Forest purchased 15% of the new company in common stock, 5% of which can be purchased back by the buyers in cash within the next five years.

The terms of the sale include keeping Knox president and ceo Richard Miller, in his current position. He did not, however, become an owner of the company, as outlined in the original agreement, Miller noted. Miller was also made a member of the Knox board of

(Continued on page 86)

Plywood Minnesota plans fall opening for eleventh unit, first in four years

By Gary S. Ruderman
NHCN staff editor

MINNEAPOLIS — Plywood Minnesota, the floor coverings, bath and kitchen specialty chain, is adding its first store in four years.

This fall the privately-held company will open its 11th location, a second 30,000-sq.-ft store in Indianapolis. It is the first opening since 1982 when a home improvement center opened in South Milwaukee.

Once a powerful chain of 59 stores in the Midwest, Plywood Minnesota ran into trouble after the departure of Rudy Boschwitz, who founded the chain in 1963. In 1978, Boschwitz was elected as Republican U.S. Senator from Minnesota.

"This year we'll open one or two new stores, and maybe one or two in 1987," said Gerry Boschwitz, son of the founder and vp of Plywood Minnesota. "We're just coming out of a difficult period and we're expanding on a careful pace, just as fast as our resources allow."

The new Indianapolis Drexel store is slated for a September 1 opening. Plywood Minnesota acquired the Drexel home improvement chain in 1980.

In 1981, facing mounting debts, Plywood Minnesota was forced to sell off its 42-store franchise division to a group of franchisees. Those stores, and four more purchased in 1982, formed the nucleus of FCS Distributors. Today FCS operates 43 The Floor To Ceiling Stores throughout in eight midwestern states. The remaining 17 Plywood Minnesota stores were sold in 1982 for the cost of inventory.

The sale was accomplished to pay off debts, according to Gerry Boschwitz.

Gerry Boschwitz, vp of Plywood Minnesota feels the chain is over its difficult period and is expanding as quickly as resources will allow. NHCN photo

The chain now operates four Plywood Minnesota stores in Minneapolis/St. Paul, one in Des Moines and a total of five Drexel stores in Milwaukee; Madison, Wis.; and Indianap-

(Continued on page 86)

P. F. O'Connor expands its existing market with purchase of Brewsters

By Elizabeth Brent
NHCN staff editor

BRAINTREE, Mass. — On April 26 P.F. O' Connor, the six-unit independent based here, purchased Brewsters, the Providence, R.I., chain, for an undisclosed amount.

"This is part of the company's continuing expansion campaign to further solidify our position as a leader in the industry," said Patrick O'Connor, president and owner.

With the acquisition, the company now operates 10 stores in five states and will open a build-to-suit unit in Mashpee, Mass., by late 1986. O' Connor expects the 10 stores to generate sales of almost $100 million by the end of the year, making it a major player in New England.

A "perfect marriage," is how the president describes the purchase of four-unit Brewsters. The company gains a partner that compliments its own strong builder trade and adds product lines and increased DIY business. The Providence, R.I., Brewsters store, for example, has 11,000 stock keeping units compared with the average 4,000 sku count for a P.F. O'Connor store.

Before the acquisition, P.F. O' Connor's stores were concentrated in southeast Massachusetts, with units in South Walpole, Middleboro, and Plymouth and one yard on Cape Cod at South Yarmouth. It also has a unit in Merrimack, N.H., and one in Vero Beach, Fla., trading under the name Century Lumber.

The purchase of Brewsters significantly expands its existing market by adding two

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BUSINESS WATCH

The NHCN Leading Indicator declined 0.1% in April to 125.4 due to the softness in single unit housing starts last November. Data available for May suggests an increase in the indicator to 128.3.

*—Monthly retail trade building materials and supplies in 1982$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

Building material and supply sales for 1986 to surpass forecast to a 13% gain

By Richard E. Mount
Special to NHCN

Building material and supply store sales will rise 13% this year, 10% after adjusting for inflation. The *NHCN* Leading Indicator has been revised and calls for stronger sales through the first half of the year. This outlook for building material sales is higher than the 10.5% increase that was forecast last month.

The fundamentals for building material demand support the 13% gain forecast by the *NHCN* Leading Indicator. Housing starts rose sharply in the first quarter of the year and the continued declines in mortgage rates will maintain a pace of 1.9 million starts into the summer. Single-unit

Richard E. Mount

starts will outperform the total as homeowners trade up in a declining mortgage rate market. The one sector of housing that may be weak is multi-units, which suffer from the highest vacancy rates in rental units since 1967. But, it is the single-unit sector that buys from retail outlets. Resales continue to run above 3.2 million units, and the economy remains strong—favorable indicators of future repair maintenance spending.

New Leading Indicator

A new *NHCN* Leading Indicator was needed becuase of changes in the data. Since December of last year, there have been major revisions in building material retail sales, GNP, personal income, inflation indexes, housing starts and resales. These have caused the old indicator to become obsolete.

The new *NHCN* Leading

(Continued on page 5)

Home Center Industry—General Business Outlook

	1985 1Q	1985 2Q	1985 3Q	1985 4Q	1986 1Q^p	1986 2Q^p	1986 3Q^p	1986 4Q^p	1984	1985	1986^p
***NHCN* Leading Sales Indicator** (January 1980 = 100)	**113.7**	**116.0**	**121.0**	**123.4**	**124.7**	**127.9**	**131.7**	**134.7**	**113.2**	**118.5**	**129.8**
General Economic Outlook											
GNP $1982 Billion	**3,547.8**	**3,557.4**	**3,584.1**	**3,590.8**	**3,619.2**	**3,637.5**	**3,675.7**	**3,721.7**	**3,774.7**	**3,570.0**	**3,663.5**
Real Disposable income $1982 Bil.	2,482.7	2,532.2	2,503.1	2,517.1	2,551.7	2,575.0	2,593.6	2,617.5	2,468.4	2,508.8	2,584.5
Housing Permits (000 SAAR)	1,667	1,731	1,762	1,741	1,852	1,800	1,825	1,790	1,682	1,739	1,772
Housing Starts (000 SAAR)	1,761	1,743	1,687	1,773	1,993	1,850	1,875	1,850	1,750	1,742	1,892
New Home Sales (000 SAAR)	668	681	711	696	783	760	750	720	639	686	753
Resales (000 SAAR)	2,970	3,047	3,363	3,500	3,267	3,350	3,400	3,350	2,868	3,216	3,342
Prime Rate %	10.5	10.2	9.5	9.5	9.4	8.6	8.0	8.0	12.0	9.9	8.5
Mortgage Rate % (HUD)	13.0	12.9	12.1	11.8	10.8	10.3	9.9	10.3	13.8	12.5	10.3
Consumer Price Index (1967 = 100)	317.8	321.1	323.0	326.5	327.7	327.2	329.4	331.9	311.1	322.1	329.1
Producer Price Index (1967 = 100)	292.1	293.8	293.1	296.4	292.2	288.7	288.3	289.7	291.2	293.9	289.7
New Housing Affordability 1980 = 100	113.7	112.6	119.3	119.3	129.3	133.9	137.9	134.2	102.2	116.2	133.8
Residential Alterations and Repairs											
Current **Total $ millions SAAR**	**84,900**	**70,400**	**70,575**	**72,928**	**75,498**	**77,773**	**80,356**	**82,801**	**69,784**	**74,701**	**79,107**
Maintenance and Repair	37,300	32,400	30,888	32,074	33,102	34,149	35,212	36,294	28,894	33,165	34,689
Additions and Alterations	29,700	25,600	26,672	27,359	28,234	28,964	29,795	30,458	27,822	27,333	29,363
Major Replacements	17,900	12,400	13,015	13,495	14,161	14,661	15,349	16,050	13,067	14,203	15,055
Constant **Total Millions $1977 SAAR**	**49,739**	**40,975**	**40,670**	**41,610**	**42,650**	**43,500**	**44,500**	**45,400**	**41,134**	**43,249**	**44,013**
Maintenance and Repair	21,853	18,858	17,800	18,300	18,700	19,100	19,500	19,900	17,029	19,203	19,300
Additions and Alterations	17,400	14,900	15,370	15,610	15,950	16,200	16,500	16,700	16,406	15,820	16,338
Major Replacements	10,487	7,217	7,500	7,700	8,000	8,200	8,500	8,800	7,699	8,226	8,375
Retail Trade Activity											
Current **Total $ Millions SAAR**	**1,337,312**	**1,369,400**	**1,399,296**	**1,388,316**	**1,402,764**	**1,432,096**	**1,475,125**	**1,507,719**	**1,293,062**	**1,373,941**	**1,454,426**
Total Minus Automobile	1,038,196	1,055,360	1,066,248	1,082,244	1,088,034	1,114,147	1,140,673	1,168,728	1,014,528	1,061,148	1,127,896
Building Material, Hardware, Garden Supply, Mobile Home	70,444	73,280	74,328	78,024	79,524	81,724	83,634	85,352	69,488	74,062	82,558
Building Material and Supply	50,976	53,512	53,736	56,976	57,851	60,105	61,907	63,849	49,774	53,841	60,928
Hardware	10,704	10,912	11,116	11,572	11,878	12,051	12,226	12,403	9,530	11,092	12,139
Constant **Total Millions $1982 SAAR**	**1,255,292**	**1,279,412**	**1,307,324**	**1,286,256**	**1,296,000**	**1,131,000**	**1,336,000**	**1,352,000**	**1,227,825**	**1,282,071**	**1,323,500**
Total Minus Automobile	982,208	993,124	1,003,052	1,007,676	1,010,000	1,024,000	1,038,000	1,053,000	968,351	996,515	1,031,250
Building Material, Hardware, Garden Supply, Mobile Home	66,686	69,827	70,833	73,628	74,300	75,600	76,600	77,400	67,448	70,244	75,975
Building Material and Supply	48,256	50,990	51,209	53,765	54,050	55,600	56,700	57,900	48,570	51,055	56,063
Hardware	10,133	10,398	10,593	10,922	11,100	11,150	11,200	11,250	9,933	10,512	11,175
Building Materials % of Total Less Automobile ($Current)	4.91	5.07	5.04	5.06	5.32	5.39	5.43	5.46	4.91	5.07	5.40

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
April 30, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Indicator forecasts stronger building material sales for first half of '86

(Continued from page 4)
Indicator is an improvement from the old. It has a better record for projecting building material and supply store sales. It gives an improved signal for future sales trends, leading sales by seven months while the prior index led by five.

The components of the new indicator are similar to the old. Resales remain a major factor for repair work and lead building material sales by nine months. Single-unit housing starts replace total starts and lead sales by five months. Single-unit starts may be more important for building material retail sales than multi-units, as a higher percentage of the materials for multi-units are purchased through the wholesale network or directly from manufacturers. Real personal income replaces real after-tax income. The prime rate continues to be a major negative factor for sales as remodeling loans are often benchmarked against it.

Graphically, the new indicator is presented differently. It will be plotted on the chart to indicate the future trend in building material sales. In the past, it showed how well it led turning points and periods of expansion.

Some of the data series on the General Business Outlook Table have been changed since last month. The major benchmark revision to GNP last December raised the level of personal income and altered the base yeear for inflation to 1982 from 1972. Retail sales were substantially revised during March and April of this year to incorporate the 1983 and 1984 Retail Trade Surveys. Hardware store sales were revised upward. Retail sales were updated with new seasonal features.

The price adjusted series for retail trade in the General Busines Outlook Table use unpublished price indexes from GNP. Real sales volume, now shown in 1982 dollars, is higher than the 1972 dollar pace shown in past reports. The data is reduced by the price increases that have occurred since 1982 rather than 1972.

Building material forecast

Building material sales will increase 13% this year, but not because of new leading indicators, changes in the base year for deflators or revisions to retail trade data. The four-year-old recovery in housing, resales in particular, has created a growing backlog of demand for remodeling activity. The economy remains strong, and declining interest rates, a falling value of the dollar and very low inflation will make it stronger throughout the year. It is the resulting gains in employment and income that will supply the buying power for the 13% rise in building material sales this year.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Handyman exhibits aggressive drive toward increased productivity & sales

By Phillip M. Perry
NHCN staff editor

SAN DIEGO, Calif. — When Handyman began life as a publicly-owned company precisely one year ago, some jaundiced observers wondered how well the company would do without its strong corporate parent, the $1 billion Edison Brothers of St. Louis.

With one year under its belt and its audited results now being scattered hither and yon in a colorful annual report released last month, few observers would deny Handyman has managed to confound many of its skeptics. At the same time, the company acknowledged that further steps must be taken to bolster profitability.

Net income for the year was clocked at $8.9 million, representing a 3.9% return on sales of $228 million. That's considerably better than last year's $6.2 million, which was only 2.3% of sales.

Yet, when gains from real estate sales are removed from the results, the picture is somewhat less rosy. The $4.3 million in operational earnings last year represents only 1.9% of sales, considerably less than the $8.8 million, or 3.3% of sales, clocked the year before.

The reasons aren't hard to fathom: More competing home centers popping up in southern California have placed more pressure on shelf prices, and have caused Handyman to spend more cash improving the quality of its store operations. Taken together, expenses for cost of goods sold and store operations came to 95.9% of total sales last year. That's up considerably from the 93.9% of 1984.

"My remarks about the competition make up one of the longest paragraphs in my letter to stockholders," said Harvey Rosen, Handyman's president, speaking a few days before the company's first annual meeting slated for May 5. "Over the past six months we've had half a million square feet of additional home center footage added to our market in the San Diego area." This additional selling space has come from two HomeClub's, three Home Depot's, and one National Lumber.

Given the impact competitive pricing has had on Handyman's operational bottom line, it's noteworthy that the onslaught isn't over. Rosen noted that HomeClub has threatened three more units for the area, and Home Depot may build two more.

While expenses related to competitive pricing and better operations have impacted the bottom line, it's also true that they have had a pronounced effect on the productivity of Handyman's stores—an effect that the company apparently feels will pay off in the long run. Sales at stores open longer than one year increased by 7.7% in 1985. That's a much better performance than the

(Continued on page 6)

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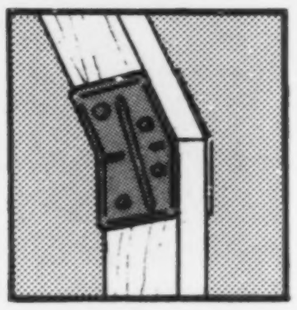

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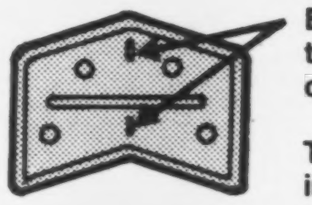

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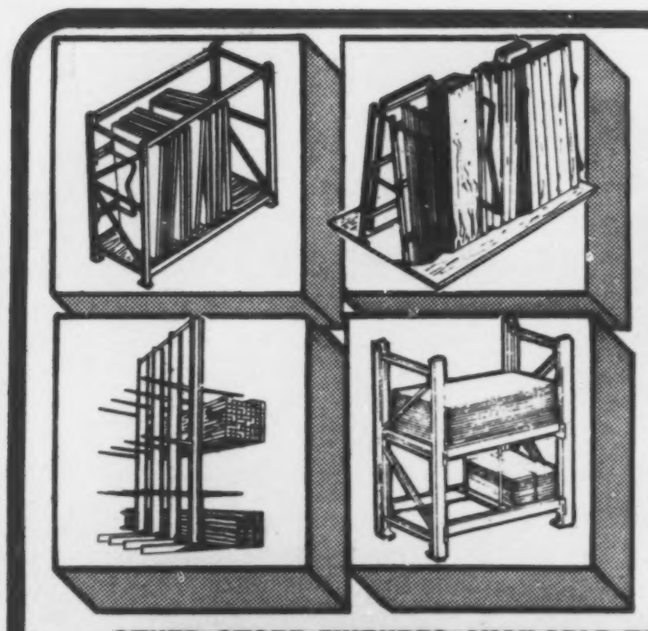

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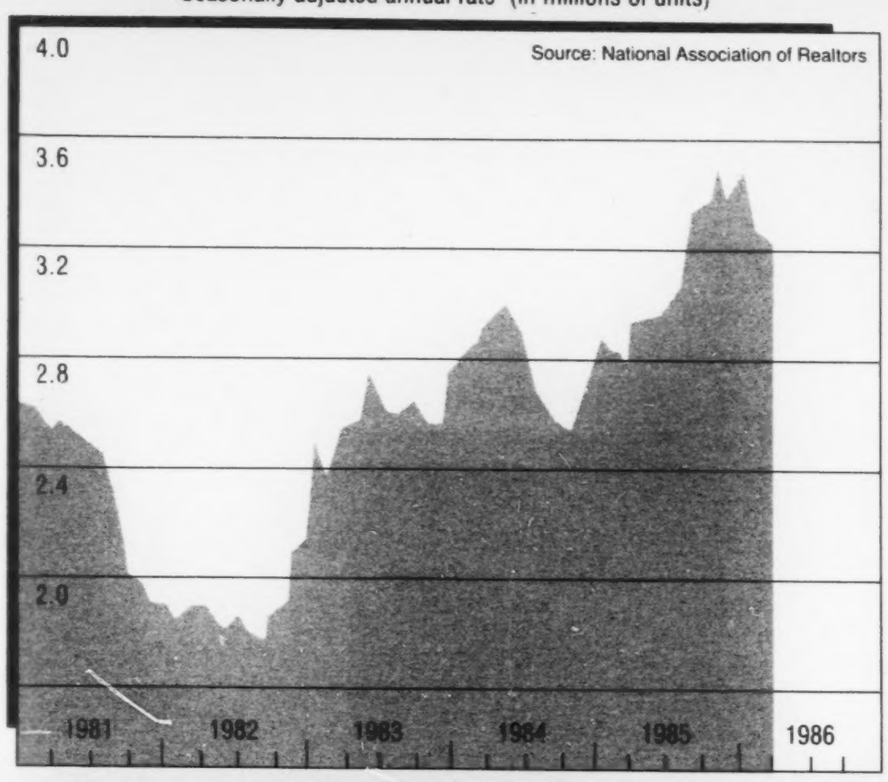
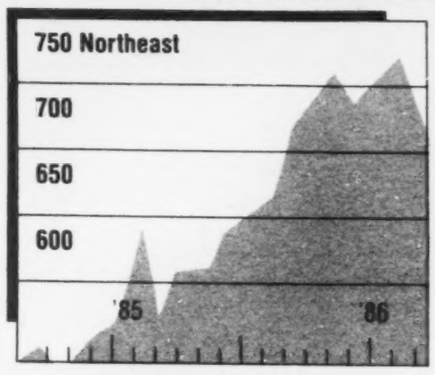
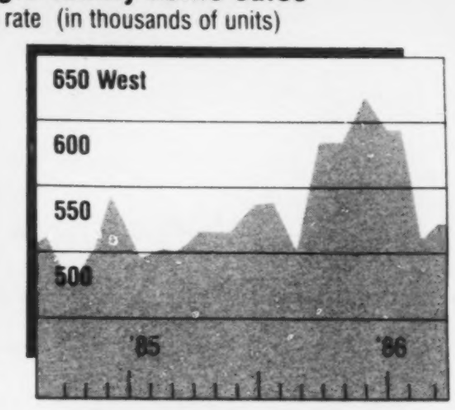
HOUSING WATCH

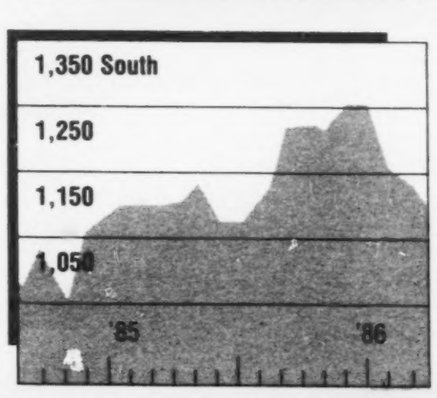
National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)

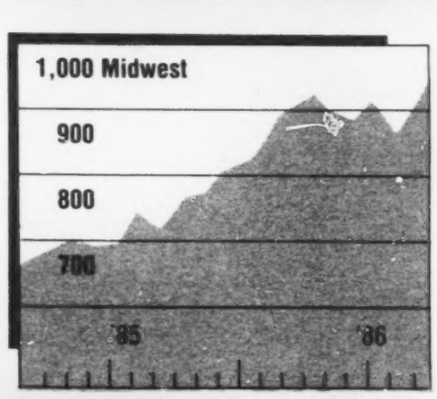


Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)









March housing sales pace declines 1.2%

NATIONAL REPORT — Although mortgage loans are now in the single digits and demand for housing remains strong, the sales pace for existing single-family homes fell 1.2% in March to a seasonally adjusted 3.23 million units, according to the National Association of Realtors (NAR).

Economists at the NAR attribute the decline to plummeting energy prices in the South that have weakened the housing market there, an easing of the boom sales pace in the Northeast, and heavy rains in the West.

Despite the small downturn, home resales in March marked the 12th consecutive month that activity has been above the 3-million-unit mark. They also were 7.7% above the sales pace recorded in March 1985.

Clark E. Wallace, president of the NAR, noted that sales of existing single-family homes should continue to strengthen this year making 1986 the best year for home resales since 1979. This year the NAR is projecting 3.54 million existing single-family homes will be sold, compared to the 3.12 million sold in 1985.

While the sales pace continues to strengthen, home prices are only expected to rise about 5%. In March, the median-priced single-family home was $80,000, 3.3% higher than the $77,400 posted in February

Sales of previously-occupied homes were strong in all four regions of the country, but the pace increased in only one area, the Midwest. Sales activity in the Midwest rose 3.2% above the February level, to 960,000 units, seasonally adjusted, 21.5% above the sales pace of the corresponding month one year ago.

The resale pace in the South lost the most ground of any region in March, down 5.2% to a seasonally adjusted annual rate of 1.09 million units. Sales activity in the 17-state region was also 2.7% below the 1.12 million-unit sales pace recorded in March 1985.

Despite this sales decline, home prices in the South continued to rise. In March, home prices of resale homes rose 5.3%, to $80,700, an increase of 8.5% from last March.

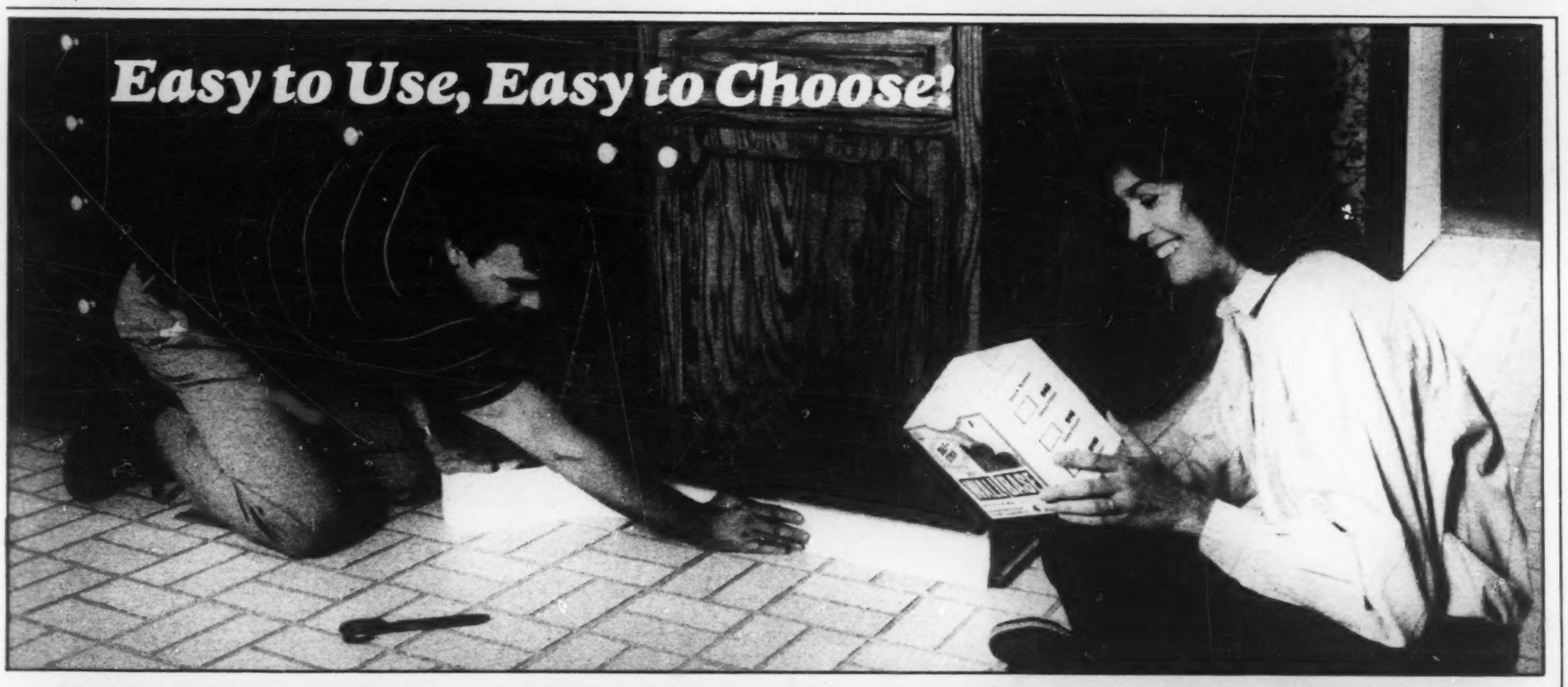
Home prices also rose in the Northeast. In addition to the 5% increase in the median home price, to $101,300, home prices in this region jumped 16.7% between March 1985 and March 1986.

March sales activity, however, dropped 3% in the Northeast, to 640,000 units, seasonally adjusted.

Median sales price
(in thousands of dollars)

	Mar.[p]	Feb.[r]	Jan.	Dec.
U.S.	80.0	77.4	77.1	75.5
Northeast	101.3	96.4	97.8	93.7
South	80.7	76.6	76.2	74.1
Midwest	63.8	62.1	60.0	58.6
West	98.3	95.5	95.5	94.5

[p]-preliminary [r]-revised



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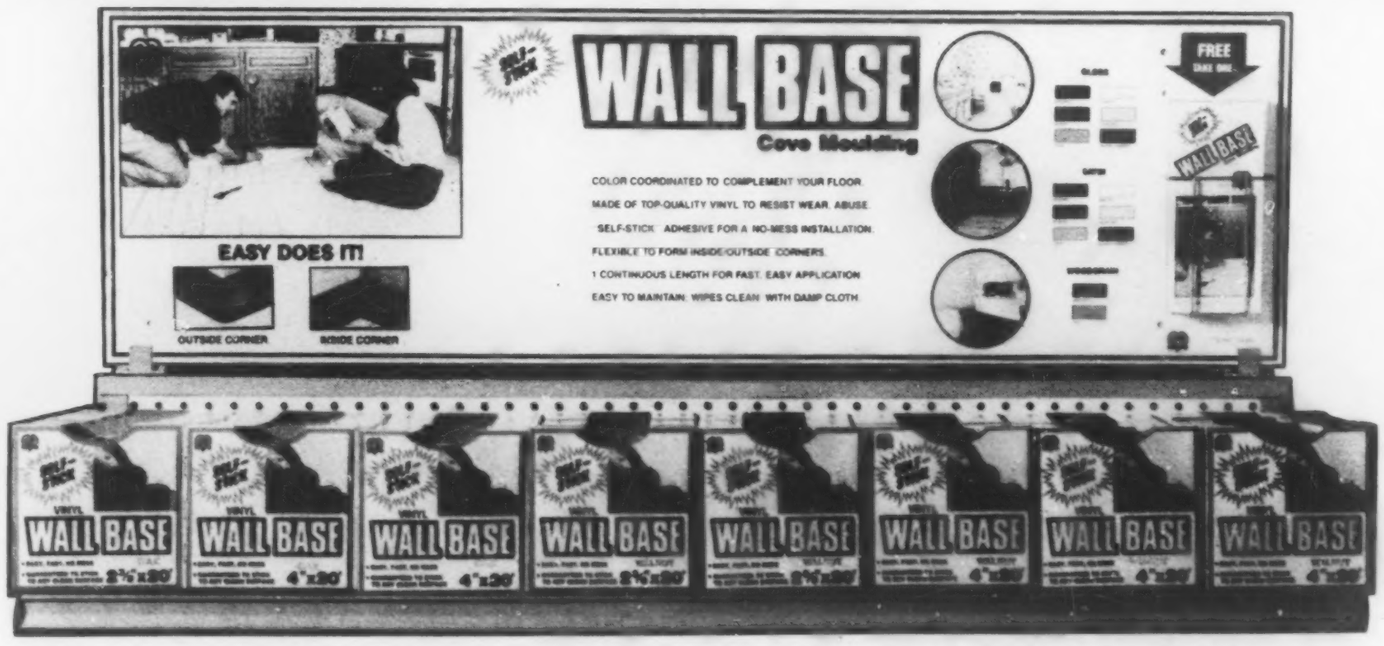
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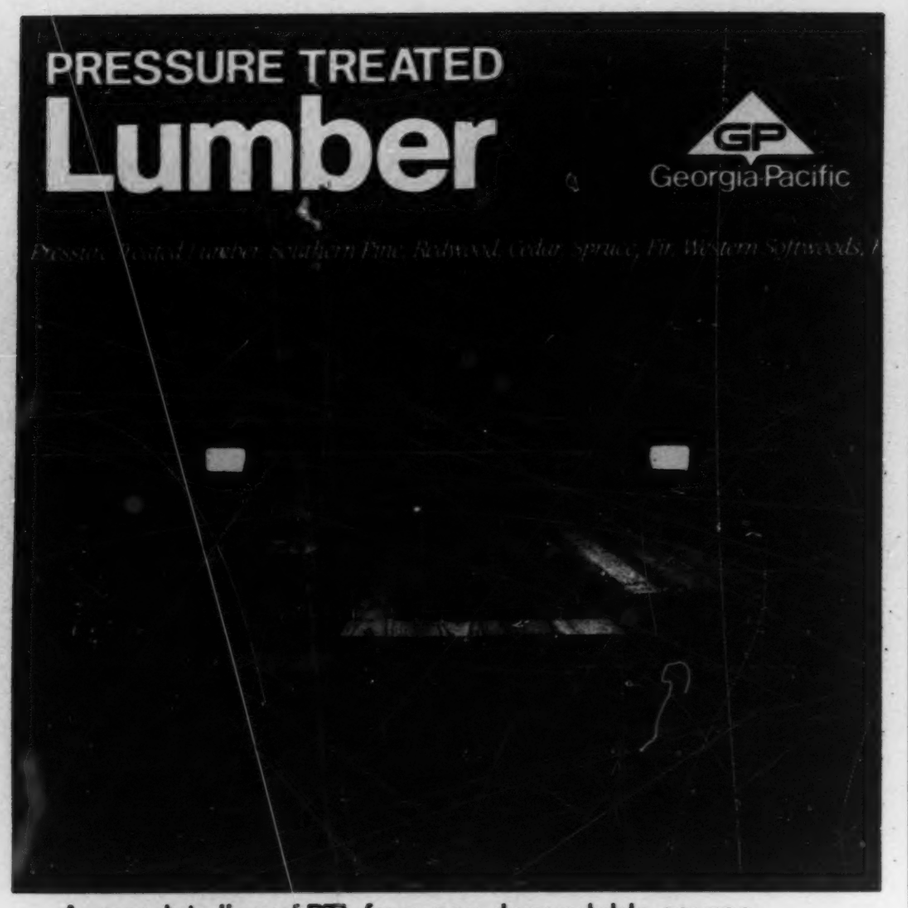

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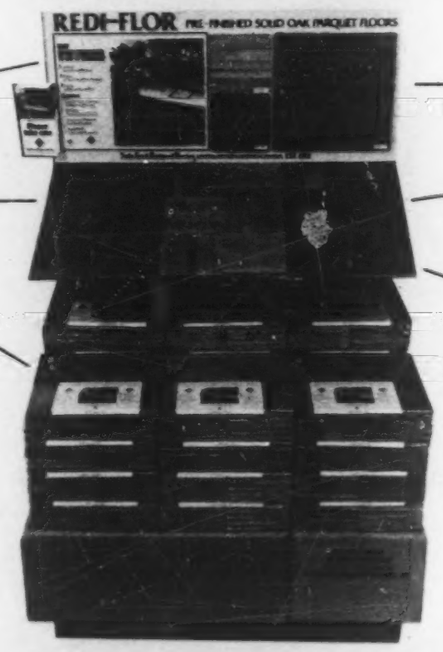
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LUMBER REPORT

Texas Lumbermen's meeting belies gloom & doom outlook

Dealers remain optimistic despite falling oil prices

By Milford Prewitt
NHCN staff editor

SAN ANTONIO — The 100th annual convention of the Lumbermen's Association of Texas (LAT), held here in April, reflected little evidence to support the doom and gloom business stories emanating these days from the major oil producing states.

The attitude of the lumbermen, which included a sprinkling of dealers from Oklahoma and Louisiana, resembled the famous disclaimer of Mark Twain who complained that news of his death had been "greatly exaggerated."

The general mood inside the Henry B. Gonzales Convention Hall, where 435 vendors displayed their wares, was one of optimism that the repercussions now being experienced from the downturn in the crude oil industry will be shortlived.

Many home center operators and lumber dealers admitted that first quarter sales and orders have suffered since crude oil prices began plummeting in late November. In fact, Ted Galbraith, vice president and district manager of 50-unit Foxworth-Galbraith, estimated that sales from company units in west Texas and the Texas panhandle—major oil producing areas—are off 30% to 50%.

Yet, dealers from both the professional and homeowner spheres of the business said they are staunching sales declines through new advertising tactics, vigorous policing of delinquent accounts and targeting on new homebuyers who are taking advantage of lower mortgage rates.

"You know, people can talk themselves right into a recession," said Galbraith, "But I don't think Texans feel that way.

"The reason for that is that the Texas economy is so diverse that you can't rely on one thing [industry] to succeed. In Dallas, we just got a $2.25 billion dollar defense contract for General Dynamics and Bell Helicopter so that's spending and there's still a lot of opportunity out there."

The resilience of the Texas economy was lauded by keynote speaker Clifford J. Crum, president and ceo of Temple-Inland, Inc., a new forest products company and former subsidiary of Time-Life, Inc. now based in in Diboll, Tex.

Crum, a former top executive with Time-Life and publisher of *Fortune* magazine, delivered a speech entitled, "Texas forest products business and $15 oil."

Pointing to the state's continued demand for skilled labor in medical research, space technology, electronics and defense, Crum said the growth of the Lone Star state is going to be less dependent on oil than it was in the past.

He argued that the falling strength of the dollar opening overseas markets, the accelerated growth of high-tech industries, the ability of first-time homebuyers to qualify for low-interest mortgages and Texas's below average age range demographically, will bode well for lumbermen.

"There will be some rough months ahead, as crude oil prices seek a true market price," Crum said. "We'll probably see the worse this year and it will be painful but not fatal.

"But we will still add 4 million people by 1990. We will be the second largest state in population and we will have a broader economic base."

The upbeat mood of Crum's theme was infectious.

Said Ray Nunn, who was installed as the new president of the LAT, "We're celebrating our 100th year and this is the largest crowd we have ever seen and that does not speak too badly.

"If the economy in Texas is so bad that it's about to fall off the cliff, why are there so many people here?"

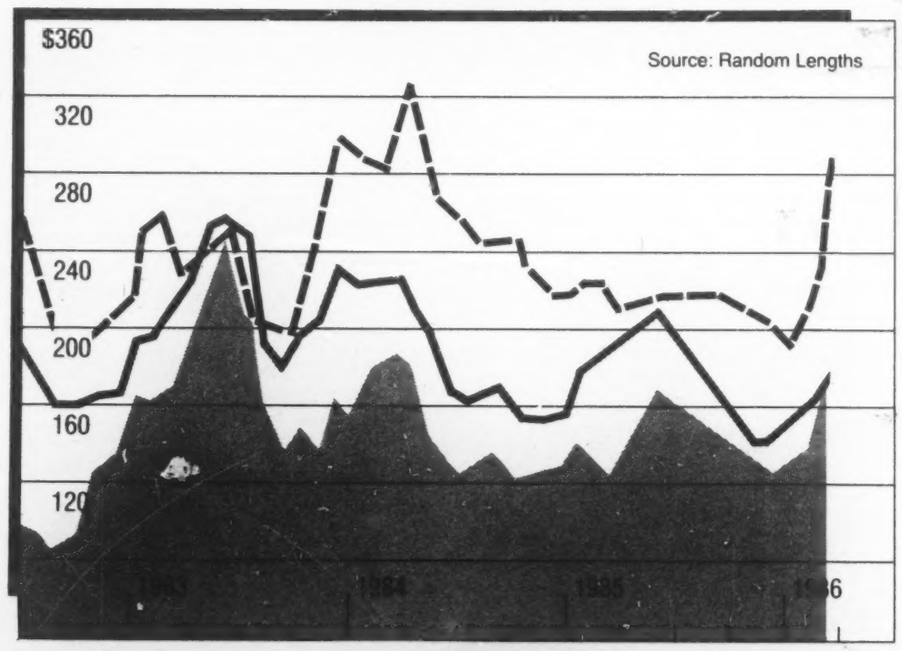
He added that despite the shakeout in the Texas economy from oil-related enterprises, lumber and building material dealers took the necessary steps to streamline and operate efficiently more than a year ago.

He further argued that the Texas building material industry suffered its turbulence a year and a half to two years ago when Boise-Cascade, Walker-Kurth and several small operators abandoned the Houston market during

(Continued on page 83)

Commodity close-up

Studs and Boards
Average mill monthly prices



Studs and boards ended the first quarter at price points above the highest levels reached in 1985 when heavy futures trading and mill orders drove up demand. Ponderosa pine #1x12 random jumped $30 from February to a March average of $294 per thousand board feet. KD Southern pine (Western) 2x4 studs rose to $201 per thousand board feet while KD western s-p-f climbed to $180.

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Two weeks ended April 24, 1986

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
May '86	179.50	169.00	175.10	175.10	2,081	197.00	140.00
July	175.10	165.80	172.20	170.00	3,966	190.90	144.00
Sept.	170.00	162.40	166.90	167.30	1,206	182.40	145.50
Nov.	164.50	157.50	161.60	161.20	1,022	174.50	146.00
Jan. '87	166.50	161.00	165.00	163.50	179	175.00	150.00
March	168.00	162.40	166.00	165.50	161	175.50	153.00
May	167.00	161.00	163.00	164.10	23	173.00	160.00

Total Vol. (Through 4/24): 31,124 — **Previous Two Weeks: 24,865**
Total Open Interest (As of 4/24): 8,638 — **Previous Week: 9,012**
Cash Price: $184.24 — **Last Week: $196.96** — **Year Ago: $147.00**

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, April 24.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

National Home Center News • Section Two

Perspectives

The NHCN Annual Report on the Home Center Industry

Part Two

Perspectives

annual report

Home center sales, earnings outpace general retailers

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — By the time 1985 drew to a close, two major general merchandise retailers with strong financial resources had made strong commitments to the home center industry. K mart, which late in 1984 purchased Home Centers of America and renamed it Builders Square, had rolled out a total of 30 units. And late in 1985, Zayre purchased the 18-unit HomeClub, then announced intentions to roll out the chain nationwide.

Taken together, K mart and Zayre had total revenues last year of $26.5 billion, some 25% higher than total sales of the top 150 home center operations. Given the profitability problems experienced by the big home center outfits in 1985, one might well ask why retailing giants are coveting home center assets—especially given the unhappy experience of W.R. Grace.

Historically, home centers have performaned well in comparison with general retailers. That suggests that still more outsiders may be attracted to the field, accelerating consolidation in the industry.

Sales, for example, have been expanding far more rapidly for building materials retailers than for general retailers.

Building materials sales totalled $64.9 billion in 1985, according to data collected by the U.S. Commerce Department. That's a 7.8% rise over the previous year, and a 132% rise since 1976. For general retailers, where 1985 revenues topped $1.4 billion, comparable rises were only 6.3% and 109%.

In terms of the major capitalized companies, sales increases are even more disparate. Total sales of over three dozen general retailers tracked by Value Line, the New York investment research outfit, increased by 14% last year over 1984. For the five home center corporations tracked by the same service, however, total sales increased by 26% last year.

While such performance may attract more retailers to the field, there is a more somber side to the 1985 results. Such rapid sales increases reflect the fact that the home center chains included in the Value Line aggregate—Lowe's, Payless Cashways, Home Depot, Hechinger, Scotty's and Pay 'N Pak—are all dedicated to the home center field. In contrast, the top 10 home center chains on this year's *NHCN* census report increased their sales by only 11% last year, a rate under that of the major capitalized general retailers. The reason—which may be a sobering one for outsiders looking to muscle into the field—is the fact that three of the worst performers in that list are companies diversified beyond the home center field. Those companies are W.R.Grace, Wickes Cos., and Evans Products.

While general retailers with lots of capital may realize they face a tough battle in tackling the specific skills needed to punch up market share in the home center field, there is no doubt that the bottom line profitability of building materials retailers is yet another attraction that general retailers may find it difficult to resist. For the past five years running, net profit margins for home center companies tracked by Value Line have been higher than for general retailers. Only in 1985, when aggressive plans by home center companies stumbled against a more relaxed consumer buying patterns, did the pattern change.

Given the depressed performance of home center chains in 1985, it may be that general retailers have a lesson to teach the home center companies. In 1984, spurred on by a 50% increase in earnings the previous year, the three dozen general retailers tracked by Value Line increased their store counts by 11%, to a total of 27,585 units. In 1984, profits rose by only 2%, largely because of the overexpansion. With the sobering earnings results in evidence, the retailers cut their store expansion rate in 1985 to only 4%, to see their profits rebound by 9%.

Admittedly, rapid store expansion can have a more serious effect for general retailers, with their more mature sales envionment and slimmer net margins, than for home centers. Value Line estimated that same-store sales generated by general retailers increased by less than 3% last year. For 10 retail chains dedicated to the home improvement products, same store sales increased by some 5.1% last year (See chart).

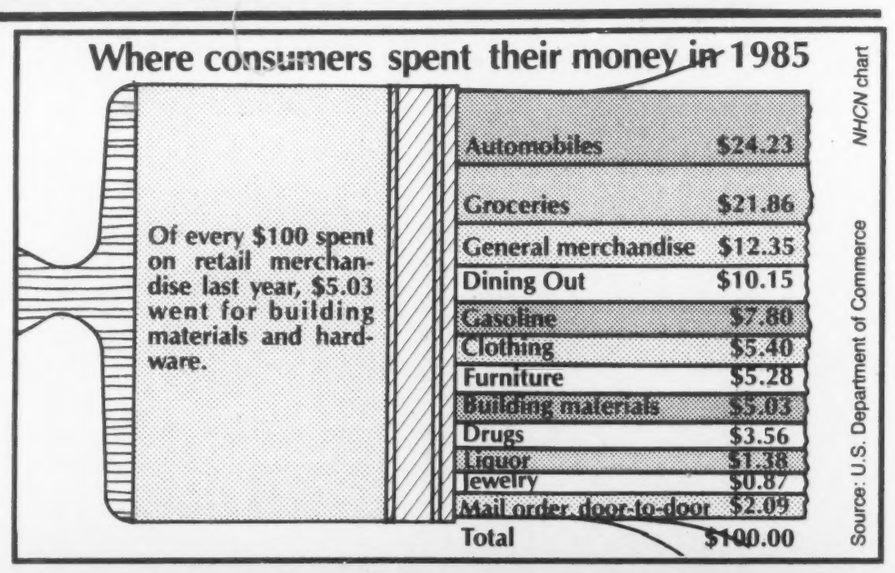
Even so, with earnings results far more dismal than anyone would have predicted a year ago, home centers may need to cut back on expansion. Some major hitters, such as The Home Depot and Mr. HOW Warehouse, have already announced a slow down in store expansion plans. Others, if the pattern from the general retailing world holds true, may have to do the same.

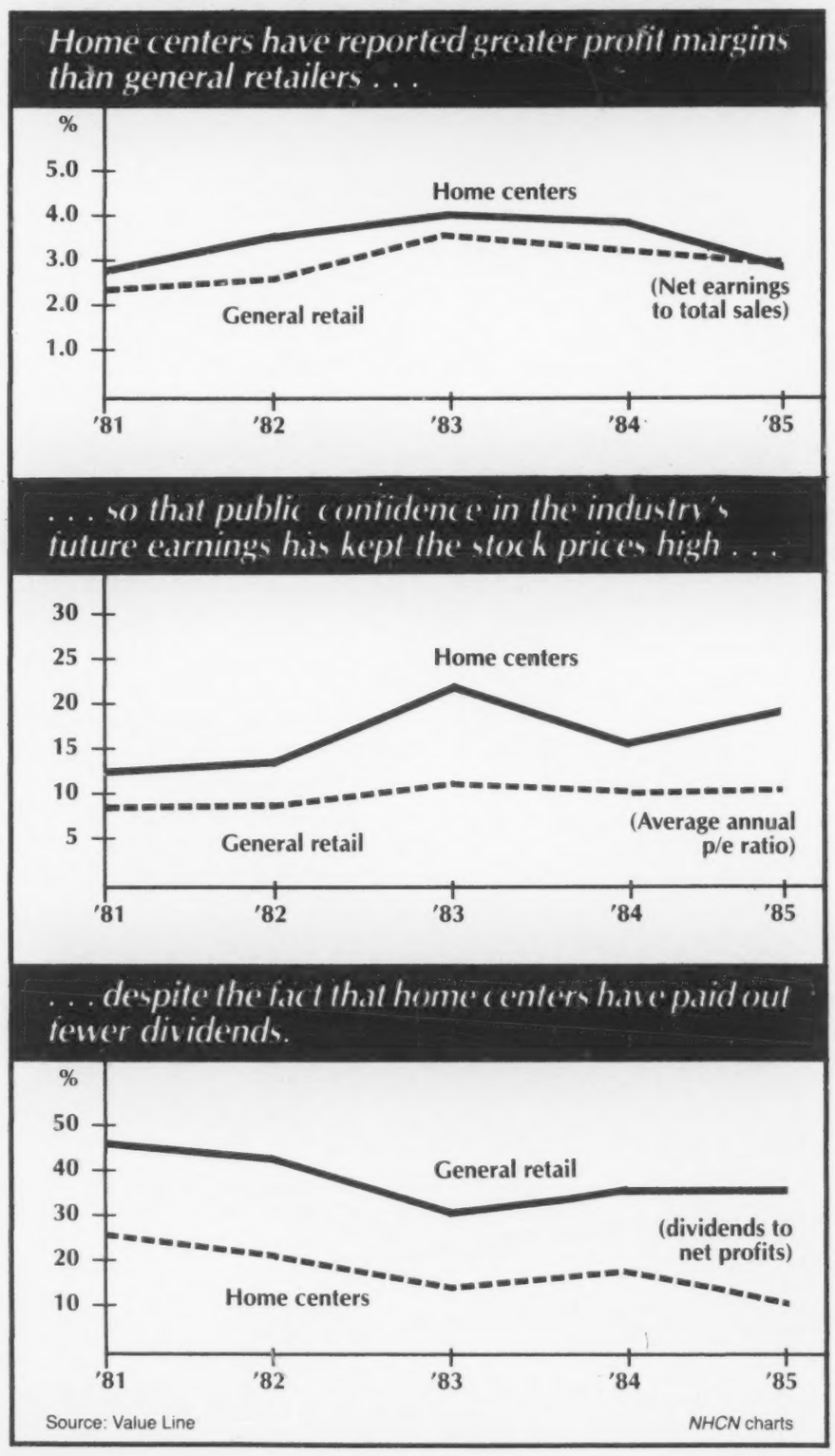
Whether 1985's earnings results were a one-time aberration, or whether they represent premature aging in the industry, remains to be seen. But many observers point to the still hefty diversification in the industry as compared with the general retailing environment, as evidence there is still room to maneuver.

"This is still a highly fragmented industry," said David Stanley, president of Payless Cashways, the $1.4 billion home center company.

Such activity is in contrast, noted Stanley, to the discount store industry.

Stanley doesn't see the home center industry maturing to where the discount industry is now until the turn of the century at least. Stanley estimated it takes about $300 million to $500 million to buy a point of market share. Few if any of the big companies would be willing to spend over $3 billion in the next 10 years to buy 10 points of share, Stanley postulated.





Performance Analysis 1985

Source: Company reports. *NHCN* charts

	Fourth Quarter Ending 1-31-86					Year Ending 1-31-86				
	Same Store Sales (%)	Total Sales ($)	Change From Prior Period (%)	Earnings ($)	Change From Prior Period (%)	Same Store Sales (%)	Total Sales ($)	Change From Prior Period (%)	Earnings ($)	Change From Prior Period (%)
Color Tile	3.0	87.2	4.7	3.2	– 4.9	1.7	370.7	19.6	13.7	1.0
Hechinger	– 2.0	116.8	14.0	6.6	8.0	5.0	479.0	18.0	23.1	10.0
Handyman	10.6	53.8	8.2	2.8	180.0	7.7	228.1	–15.0	8.9	43.8
The Home Depot	2.3	203.7	73.5	2.6	– 28.0	2.1	700.7	61.9	8.2	–42.0
Lowe's	13.0	475.6	26.5	11.3	7.7	10.0	2,073.6	23.0	59.7	– 3.0
Pay 'N Pak	4.0	86.0	5.4	1.8	– 34.0	4.7	320.3	7.8	8.1	–27.6
Payless Cashways	5.4	378.9	14.5	11.1	17.1	5.0	1,389.7	18.0	38.1	3.0
Scotty's	5.2	120.6	10.0	2.8	– 20.0	3.5	473.0	8.0	16.1	–12.8
Standard Brands Paint	– 5.7	71.5	1.1	1.6	– 64.1	3.3	338.0	7.3	15.8	–23.9
Wolohan Lumber	3.0	37.4	3.5	1.3	55.9	8.4	150.7	8.0	3.5	33.0
Average	3.9	—	16.1	—	11.8	5.1	—	15.7	—	– 2.1
Totals		1,631.5		45.1			6,523.8		195.2	

For most of the companies, data is for the 12-month period ending around Jan. 31. The 12-month period ended on Dec. 31 for Color Tile, Handyman and Scotty's. The period ended around Nov. 30 for Payless Cashways and Pay 'N Pak.

While same-store sales for 1985 increased by an average of 5.1% for 10 dedicated home improvement merchandisers, earnings actually declined an average of 2.1%.

Perspectives

annual report

Suppliers see slimmer profits, slower '85 sales growth

By Donald Longo
NHCN staff editor

NATIONAL REPORT — For the companies that supply merchandise to the home center industry, 1985 was characterized by slower sales growth and slimmer profits, in part due to overcapacity in many product categories, price pressure from retailers and continued loss of market share to imports.

The slowdown in sales growth experienced by the nation's largest home center chains—the top 100 retailers (*NHCN*, May 5) posted sales increases of just 11%, compared to the 18% increase they recorded in 1984—was reflected in even more modest 1985 sales gains for their suppliers.

"In the third consecutive year of expanding construction markets, growth was becoming harder to sustain," said George A. Christie, vice president and chief economist for McGraw-Hill Information Systems, which publishes the widely known *Dodge Reports* on construction activity. "Although building products manufacturers reported record sales in 1985, they showed only a 4% improvement over the previous banner year."

Industry giants like Georgia-Pacific and PPG Industries reported relatively flat corporate sales growth in 1985. Others like Weyerhaeuser, National Gypsum, and American Standard experienced a decline in sales.

Some companies were victims of their past success. The Stanley Works had the highest sales in its history last year, but total revenues were up a modest 4.3%.

Meanwhile, earnings took a beating at several leading manufacturers.

Profits slump for suppliers

Some of the casualties were Louisiana-Pacific (wood products) which took a nearly 40% decline in net income last year; Emhart (adhesives and hardware), which experienced an 11.5% drop in earnings; and paint manufacturers DeSoto Paint (the main supplier of Sears' private label paint) and Insilco (which makes the Enterprise, BPS, Magicolor and Red Devil brands), which saw profits fall more than 20%.

Many manufacturers "were caught in a situation where demand did not equal supply," noted Barbara Alexander, a vice president at Salomon Brothers, the New York investment banker.

Weakness from overproduction

Executives whose companies are in the wood products, hardware, tool, and paint industries acknowledged varying degrees of overcapacity in their product lines. Timber companies closed plants and laid off workers, as did hardlines makers Black & Decker and Vermont American.

"World-wide oversupply in our export lines, coupled with the strength of the dollar, caused market share and price problems," reported George Weyerhaeuser, president and chief executive officer, in his annual message to Weyerhaeuser Company shareholders. Sales of $5.2 billion were 6.2% below the previous year's revenues and earnings of $200.1 million represented an 11.5% decline for the Tacoma, Wash., forest products company.

Dealer pressures affect profits

Several manufacturing executives pointed to the negative effect that prices at retail had on their business. "On average, the industry reduced prices between 5% and 7% to the first [retail] purchaser," said Fred Franklin, marketing manager/residential roofing for Owens-Corning Fiberglas. With that loss in price, the manufacturing side of the business was "not so pleasant," said Franklin.

"Retailers' pricing patterns made it more difficult for manufacturers in 1985," added Alexander, of Salomon Brothers. "Manufacturers had to price [their products] lower."

Profit erosion ran deep in the paint category as retailers footballed the price of a gallon of one national brand paint, Glidden, to as low as $1.97 in one market.

And, with intense competition among suppliers also depressing prices, "profit margins [for building products

(Continued on page 26)

Top building material companies post healthy sales & earnings gains

By an NHCN staff editor

NATIONAL REPORT — The year 1985 was far from gloomy for building materials companies, which generally performed better than home improvement manufacturers in other product categories.

Insulated somewhat from competition from imports because freight costs are so high for heavy materials like wallboard, building materials manufacturers registered sales gains as high as 9%, and earnings increases as high as 23%.

"Gypsum and drywall manufacturers did well because capacity was restrained," said Salomon Brothers analyst Barbara Alexander.

The nation's largest producer of gypsum products, U.S. Gypsum in Chicago had another strong year in 1985. Sales were up 9% to $2.53 billion and net income climbed nearly 20% to $223.8 million. "The increase in sales from 1984 to 1985 was less than the increase from 1983 to 1984," noted USG spokesman Paul Colletti. "A lot of building materials companies hit bottom in 1982, and rode the cycle back up again in 1983 and 1984."

While USG purchased the assets of Conway Corporation's ceiling products business last year, the company's main segments continued to be its gypsum board (USG purchased Masonite in 1984), wood fiber and particleboard.

(Continued on page 26)

The Top Public Building Materials Companies

	Sales (in mil)	% change	Earnings (in mil)	% change	E.P.S.	% change
Owens-Corning	$3,305.0	9.4	131.2	15.2	4.42	14.2
USG	2,526.5	9.0	223.8	19.9	6.71	19.0
Jim Walter (Celotex)	2,292.3	1.5	111.7	15.2	5.11	14.8
Manville Corp.	1,941.8	7.0	– 45.1	—	–2.92	—
National Gypsum*	1,340.0	–22.0	116.1	8.7	5.02	9.6
CertainTeed	1,109.7	– 6.7	53.4	22.8	2.73	25.8

*Currently the target of a takeover attempt by the Wickes Cos.
Figures represent total corporate results; many companies' product lines overlap into other product categories
E.P.S.—Earnings per share
NE—Negative earnings invalidate calculations
Source: Media General Financial Services; company reports

Lumber industry faces continuing retrenchment in '85

By an NHCN staff editor

NATIONAL REPORT — The year 1985 was a year of further retrenchment for most of the wood products industry, despite the pickup in housing starts, declining mortgage interest rates and a generally robust economy.

Overcapacity, caused by overly optimistic suppliers reopening marginal plants too quickly, and growing Canadian imports, resulted in a collapse of lumber prices, which didn't begin to rebound until earlier this year. According to Value Line, the New York investment research firm, the paper and forest products industry totaled sales of $64 billion in 1985, just a 4.5% increase over the previous year. Net profits, according to composite statistics compiled by Value Line, were up just 1.9%, to $2.9 billion. And, net profit margin fell from 4.6% in 1984 to 4.5% last year.

Highly-diversified Georgia-Pacific, which is the largest plywood supplier and ranks second among dimensional lumber, hardwood, and particleboard producers, reported flat overall sales. G-P's improved earnings figure looks better on paper than actual reported operating profits from continuing operations. Net income from its continuing building products and pulp/paper operations fell from $253 million in 1984 to $207 million in 1985. Its building products operations only grew just 0.4% to $4.5 billion in sales with operating profits of $391 million, a 3.2% increase over the previous year.

Early in 1985, G-P agreed to sell or trade 134,000 acres of timberlands in the West, over a three-year period.

Weyerhaeuser's building materials segment totalled sales of $2.8 billion in 1985, about 2% less than in the previous year. Approximate earnings of the building materials segment, which restructured its solid wood sales marketing group last June, plunged 30% to $215.8 million. During the year, Weyerhaeuser aquired the assets of GardenAmerica Supply, a major distributor of garden supplies and landscaping equipment.

Weyerhaeuser also sold off several of its retailing interests, including Everitt Lumber and Dixieline Lumber, as did Boise Cascade. Southwest Forest Industries spent a good portion of the year looking for a buyer for its Knox Lumber chain (a deal that was finalized last month).

Champion International, Louisiana-Pacific and Potlatch all closed plants last year. Champion's building materials segment, the third largest supplier of softwood, plywood and lumber in the industry, contributed $1.5 billion, or 26%, of the company's total sales last year. The previous year that segment totalled $1.8 billion, or 36% of total sales. In July, Champion's distribution network was spun off in a leveraged buyout by Champion executives who formed a new company called U.S. Plywood.

In other manufacturer-related industry news early this year, Ply-Gem, the decorative panel maker, agreed to acquire Allied Plywood Corp. for about $8 million in stock. Allied is a distributor of hardwood plywood and specialty wood products.

The Top Public Wood Products Companies

	Sales (in mil)	% change	Earnings (in mil)	% change	E.P.S.	% change
Georgia Pacific	$6,716.0	0.5	187.0	57.0	1.61	66.0
Champion International	5,769.8	12.7	163.1	NE	1.59	NE
Weyerhaeuser	5,205.6	– 6.2	200.1	–11.5	1.32	13.2
Boise Cascade	3,737.2	– 2.1	104.3	49.9	3.45	54.7
Louisiana Pacific	1,260.9	2.5	25.5	–39.6	0.70	–41.2
Potlatch	950.3	– 4.4	37.7	–24.0	2.19	–21.8
SW Forest Industries	700.1	– 9.9	– 12.3	—	–1.67	—
Pope & Talbot	325.2	1.6	6.7	NE	1.11	NE
Triangle Pacific	263.9	– 2.5	15.2	11.8	3.82	15.8
Ply-Gem	166.5	3.5	4.2	– 6.7	0.66	–18.5

Figures represent total corporate results; many companies' product lines overlap into other product categories
E.P.S.—Earnings per share
NE—Negative earnings invalidate calculations
Source: Media General Financial Services; company reports

Perspectives

annual report

Slower sales growth, slimmer profits mark suppliers '85

(Continued from page 24)

manufacturers] were squeezed from an average of 4.2% of sales in 1984 to 3.7% last year, leaving industry-wide profits 4% below the 1984 record," according to Christie at McGraw-Hill.

Higher-end items promoted to boost profits

An *NHCN* survey of the top public manufacturing companies uncovered several exceptions to that trend: Among the best earnings performers were Boise Cascade, up 49.9%; Masco, up 41.9%; Newell, up 33.1%; The Cooper Group, up 26%; and CertainTeed, up 22.8%.

One way manufacturers attempted to shore up their margin erosion was to market products with more profit potential. Hardware manufacturers pushed higher-end, higher-quality products with a decorative flair.

Frank Tooke, marketing vp for The Cooper Group, noted his company's efforts toward the higher-end of the tool market. He said that programs developed specifically for the home center industry had begun to take hold last year.

Building materials producers also took a shot at the high road. Paneling suppliers met last April to revitalize their sagging category and launched a cooperative marketing effort to court the female shopper and push higher-end decorative panels.

Even roofing, long thought of as a bland, basic commodity became more decorative. O-C, G-P, CertainTeed, Manville and Celotex increased their offerings in the more decorative, architectural types of roofing being found at a greater number of homes, both for remodeling and new construction. Said Franklin of O-C, "Higher-end roofing offers profit opportunities that the [basic] three-tab squares don't."

Import invasion still a factor

Despite these efforts at improving the quality of their product, American manufacturers couldn't completely stem the rising flood of imports.

They didn't need any further impetus, but imports benefitted greatly throughout 1985 by the strong U. S. dollar. Canadian lumber, which in 1979 accounted for 28% of the U. S. softwood lumber market, was up to over a third of the total domestic market.

Where formerly they were most prevalent in the low-end, promotional lines of the hardware and tools categories, imports began to make a splash in the middle to high-end lines. Manufacturers in the Orient, South American and Europe proved they could make quality merchandise at competitive prices to American-made products.

In reaction, many home improvement manufacturers began concerted efforts to hold the line against further market erosion by imports through improvements in their research, product design, manufacturing and distribution systems.

Top building material firms record gains

(Continued from page 24)

For Owens-Corning, the country's largest building materials manufacturer, total sales were up 9.4% and earnings rose 15.2% in 1985. Bob Shern, manager of O-C's residential insulation distribution marketing division, told *NHCN* that sales for new construction and attic reinsulation were flat in 1985; while repair and remodeling sales to both commercial and residential markets were up from the previous year.

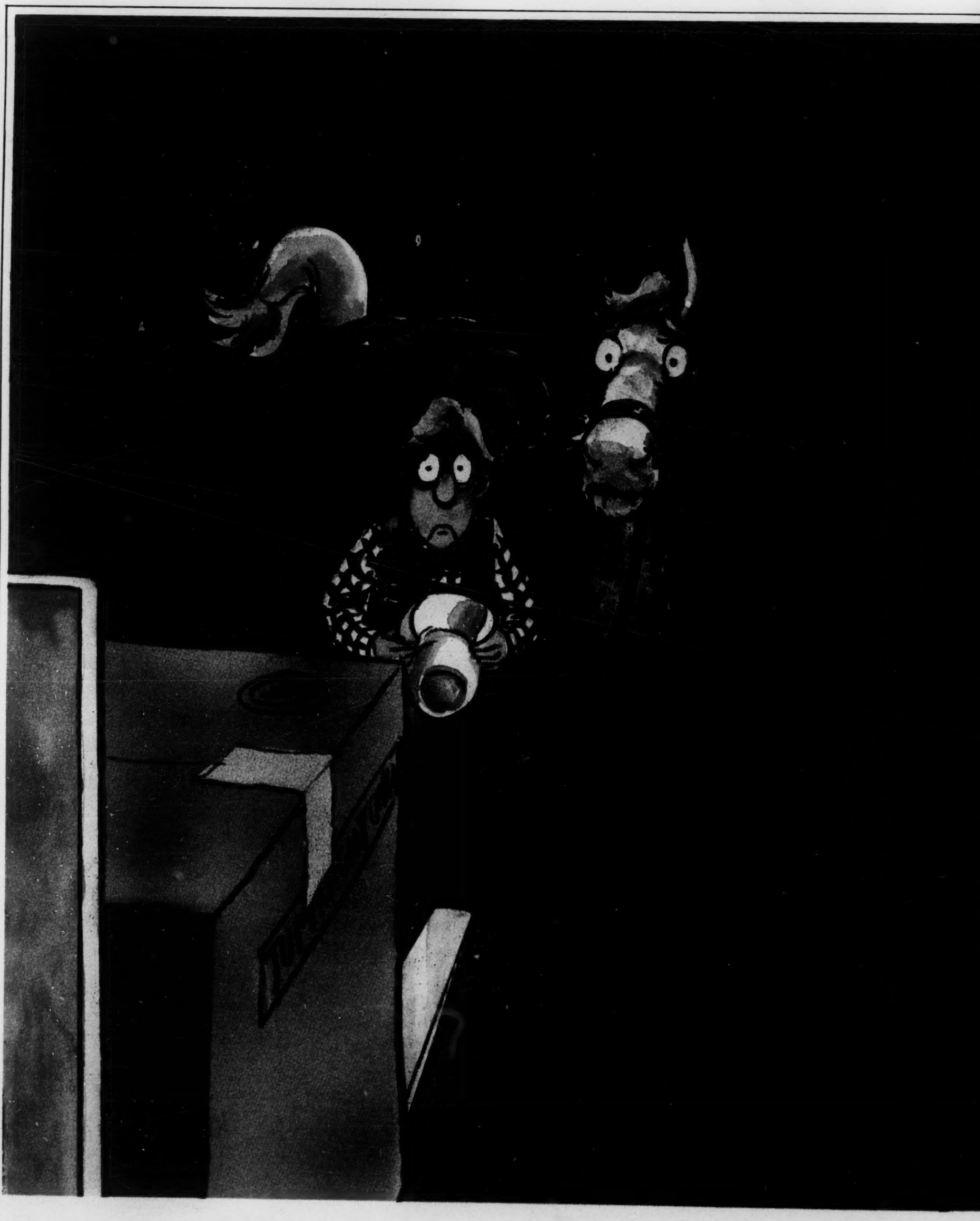
O-C's residential and commercial roofing division saw unit sales fall just short of 1984's record-high levels, according to an executive at the company's residential roofing division.

Jim Walter Corporation, which constructs, sells and finances shell homes in the South and Southwest, also produces a broad line of building materials including hardboard siding, fiberboard and plastic foam insulation, gypsum wallboard and roofing. Its Celotex operation is among the top four producers in the roofing market. Corporate sales were up slightly to nearly $2.3 billion, while earnings grew 15.2% to $111.7 million.

Manville Corp. was the only major building materials company to report negative earnings last year. But, the company at least appears ready to emerge from its Chapter 11 difficulties after agreeing to set up trust funds to pay off asbestos-related law suits now and in the future.

The nation's second largest gypsum producer, National Gypsum, is currently involved in a tug-of-war between current management—which is attempting to take the company private in a leveraged buyout—and Wickes Cos., which recently raised its bid in an unfriendly takeover attempt.

CertainTeed ended 1985 with a decrease in sales but an increase in profits, according to Value Line, the New York investment research firm.



Perspectives

annual report

Consolidation runs rampant in hardlines industry

Top Public Hardware, Tool & Plumbing Manufacturers

	Sales (in mil)	% change	Earnings (in mil)	% change	E.P.S.	% change
Cooper Industries	$3,067.2	51.0	135.1	26.0	2.79	31.0
American Standard	2,912.0	– 9.4	122.0	6.2	3.10	1.0
Emhart	1,775.0	– 1.1	80.0	–11.5	2.90	–11.3
Black & Decker	1,732.3	13.0	–158.4	—	–3.11	—
Stanley Works	1,208.3	4.3	78.3	8.1	2.85	9.6
Masco	1,154.0	13.2	164.5	41.9	2.56	28.0
Newell	350.0	13.5	18.9	33.1	2.09	29.0
Vermont American	2,912.0	– 9.4	122.0	6.2	3.10	1.0
Clopay Corp.	139.2	3.9	– 1.9	—	–1.24	—

Figures represent total corporate results; many companies' product lines overlap into other product categories
E.P.S.—Earnings per share
NE—Negative earnings invalidate calculations
Source: Media General Financial Services; company reports

By an NHCN staff editor

NATIONAL REPORT — Consolidation and restructuring ran rampant last year among hardlines manufacturers, who reported widely varied financial results for fiscal 1985.

Cooper Industries and Stanley Works are the two biggest producers of hand tools for the home improvement market. Cooper, a diversified manufacturer with three major segments—electrical and electronic products, commercial and industrial products, and compression and drilling products—reported total sales of over $3 billion last year, a 51% increase. Earnings rose 26% to $135.1 million. The company's investment of $30 million for capital expenditures in its commercial and industrial products group, which includes its hardware and hand tool sales, appeared to pay off. That division recorded sales of $927 million, up 58%, and operating income of $134 million, up 36%.

Don Molchan, Stanley's vp-sales, called 1985 one of the company's better sales years, and "one of our very best in profits." He attributed the results—sales were up 4.3% and earnings rose 8.1%—partially to the company's strong sales and marketing effort, which included a $60 million TV campaign.

Don Molchan, Stanley's vp-sales, called 1985 one of the company's better sales years, and 'one of our very best in profits.'

Early this year, Stanley agreed to buy the Bostitch division of Textron Inc. for $193 million. Bostitch makes professional quality fasteners and fastening tools.

Black & Decker, which lost $158.4 million last year, restructured its management under new ceo Nolan Archibald, brought in the president of one of its competitors, Skil Corp., to head its consumer power tool group, and made reductions in its managment, inventory and plants.

Emhart Corp., which in September acquired the True Temper division of Allegheny International in order to penetrate the consumer lawn and garden tool area, experienced an 11.5% decline in earnings last year.

Newell, a much smaller company than the aforementioned giants, parlayed its aggressive home center orientation into a $13.5% sales gain and 33.1% climb in profits last year.

Vermont American, which experienced excess capacity and declining demand for power tool accessories, restructured last year as earnings plummetted 72.8%.

In plumbing, Masco was by far the leading performer with a 41.9% increase in profits. During the year, Masco, which makes faucets under the Delta, Delex, Peerless and Deltique labels, acquired NI Industries, whose divisions include Thermador and Weiser Lock; and Merrilat, the nation's second largest kitchen cabinet maker.

By contrast, American Standard, which generally targets itself more toward the new construction market than Masco, reported a 9.4% sales decline. However, overall profits were up, 6.2%.

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Perspectives

annual report

Home centers pick up paint market share, not profit

By an NHCN staff editor

NATIONAL REPORT — Home centers managed to grab a bigger slice of the retail paint market pie in 1985, much to the dismay of paint advertising leaders Sears and Standard Brands.

Despite combined paint-related advertising totaling approximately $17 million by Sears and Standard Brands, Sears reportedly lost paint-related market share to home centers for the first time.

Promotion was the name of the game in 1985. Paint was one of the most footballed items in home centers. One of the most dramatic examples of price-slashing took place in Houston, where Builders Square sold Glidden Spread Satin paint for $1.97 a gallon from its regular $9.22 price. In response, The Home Depot offered to rebate Houston consumers the full purchase price of up to four gallons of the same brand (*NHCN*, Nov. 18, 1986).

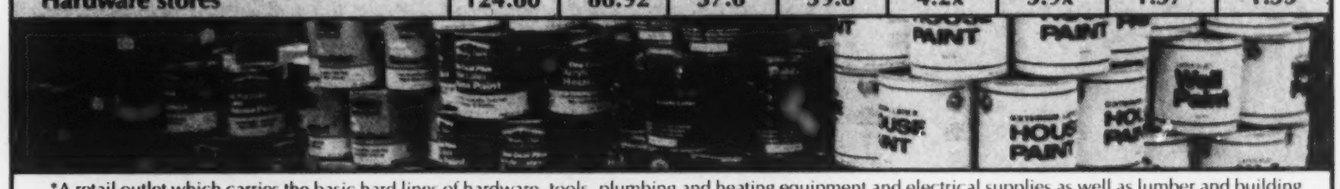
Pricing battles appear to be stimulated by fickle consumer buying habits in the paint category. A study conducted for *NHCN* showed that as many as 40% of consumers are dissatisfied with the paint they buy.

In its 1985 bottom Line study of the industry, the National Retail Hardware Association said that home centers' paint sales per square foot in the 1985 study dropped to $129.37 compared with $131.07 per square foot in the 1984 study. Turnover of paint—sales to inventory ratio—in home centers gained slightly to 6.6 times annually, and gross margin return on inventory rose slightly in 1985 to 2.48 from the prior year's 2.14.

Lumberyards had a lower paint turnover rate in their stores compared with home centers—an average of 4.5 times in 1985. These stores sold paint products at a substantially lower margin than home centers—30.8%, according to the NRHA study.

Paint & Home Decorating: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	129.37	131.07	37.5	36.1	6.6x	5.9x	2.48	2.14
Lumber/building material outlets **	174.12	168.93	30.8	31.6	4.5x	3.8x	1.34	1.21
Hardware stores	124.60	86.92	37.6	39.8	4.2x	3.9x	1.57	1.55



*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.
**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Analysis section draws from three recent reports

By an NHCN staff editor

INDIANAPOLIS — The figures on departmental contribution and productivity used in the product category analysis section of this year's *NHCN* Annual Report on the Home Center Industry come from three recently-released reports from the National Retail Hardware Association.

The 1985 Bottom Line for Home Centers presents financial operating data for home centers, defined by the NRHA's Home Center Institute as retail outlets that carry the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials. Additionally, by the NRHA's definition, home center operations are geared to generate annual sales in excess of $1 million at maturity.

Per store net sales for home centers surveyed in this year's Bottom Line report averaged $2,875,479. These respondents reported a 12.12% increase in sales. Gross margin was 27.59% compared to 31.53% the previous year. Average stock turns showed an increase over 1983 from 3.89 turns to 4.83. Operating income dropped slightly from 4.38% to 3.27% of sales.

The home center operations surveyed averaged 33,478 sq. ft., with 17,163 sq. ft. of selling area.

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Perspectives

annual report

Power Tools & accessories: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	136.48	154.59	31.1	35.2	5.3x	3.9x	1.65	1.36
Lumber/building material outlets **	144.61	125.14	25.4	28.3	3.8x	4.0x	0.94	1.13
Hardware stores	104.13	79.01	30.7	34.3	3.2x	3.8x	0.98	1.30

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.
**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Quality and assortment highlight tool sales in '85

By an NHCN staff editor

NATIONAL REPORT — Acquisitions and corporate restructuring highlighted 1985 for a number of major tool manufacturers.

While suppliers sorted things out, home center retailers were found to be carrying a broader assortment of tools in their stores, with the emphasis being placed on better quality, even from imports.

As has been the case for the past few years, home center tool departments outperformed those of hardware stores and lumberyards in terms of turnover, return on investment and, in most cases, profitability.

Competition forces restructuring

There was considerable corporate shakeout in the hand and power tool industry last year, stimulated in part by the intense competition among suppliers for dealer business.

The most highly-publicized restructuring occurred at Black & Decker, which lost $158 million in 1985. The company pared management, inventory and plant in an effort to cut its expenses and improve its services to dealers.

The company also hired George Sherman away from its chief competitor, Skil Corp., to head up its consumer power tool group; and Nolan Archibald away from Beatrice Cos. to become B&D's new ceo.

However, B&D wasn't the only company reforming itself. Vermont American also engaged in a restructuring campaign last year. And Easco Corp. went through 1985 trying to unload its hand tool division, a sale has been on-again, off-again for months.

Consolidation activity strong

Suppliers were trimming their sails to become stronger in the home improvement market. But some companies also sought to expand their market positions through mergers and acquisitions.

Emhart Corp. spent around $110 million to acquire True Temper Co. from Allegheny International, giving Emhart immediate access into the lawn and garden tool arena.

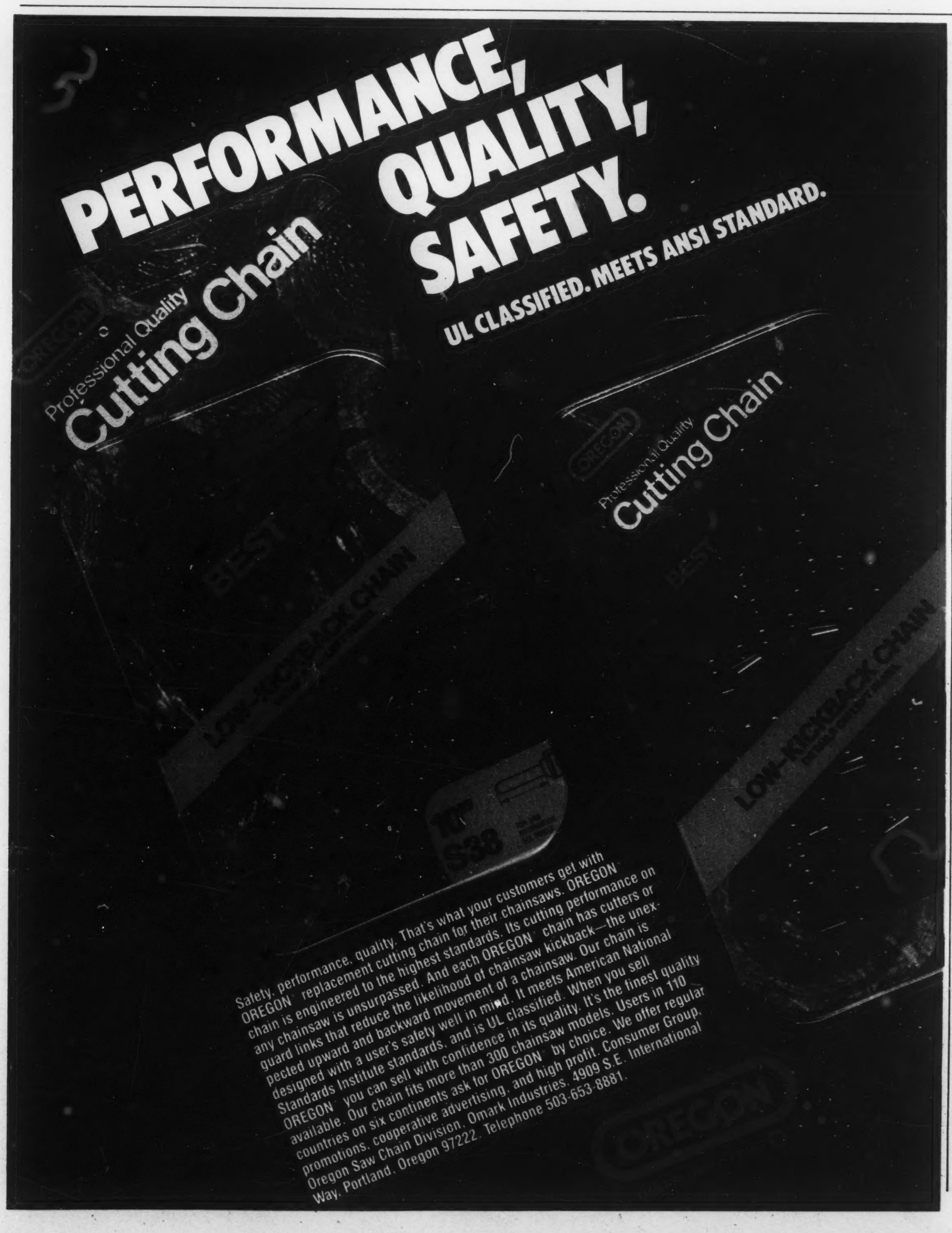
SK Tool Co. in Chicago merged with J.H. Williams Industrial Products late last year, then itself was acquired by Facom, one of the largest tool makers in France. This gave Facom entree into the U.S. market, and will allow SK to add to its product assortment.

Eariler this year, Stanley bought the Bostitch fastener of Textron, Inc. for $196 million, and Peugeot, the French saw maker, in early March concurrent to the International Hardware Fair in Cologne, West Germany. Donald Davis, Stanley's chairman, said the company is also looking to step up its acquisition efforts.

Dealers want better quality

In 1985, dealers enjoyed healthy sales gains in hand and power tools, but many complained that the categories were becoming a bit stale, with little innovation in new products or packaging emerging from their suppliers.

But there were a few items that caught the fancy of dealers and consumers. As was the case with table saws a few years ago, cordless power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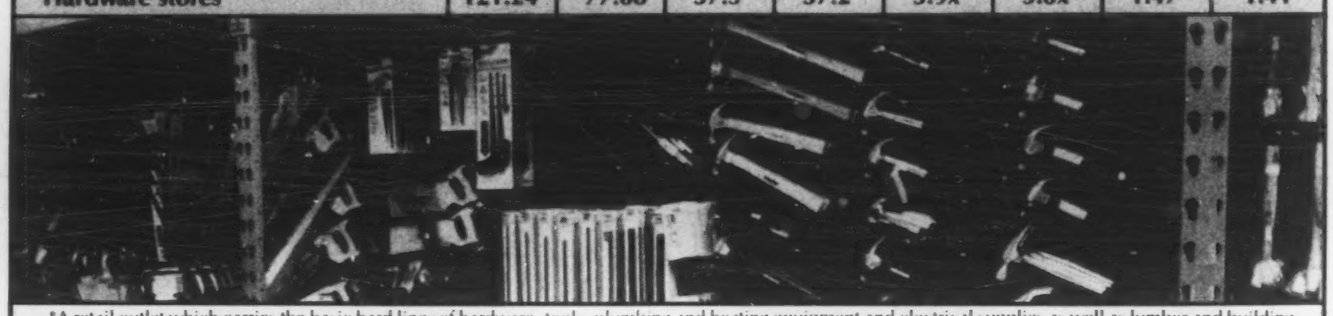
Hand Tools: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	125.75	131.40	35.6	36.0	4.9x	4.0x	1.74	1.38
Lumber/building material outlets **	143.07	134.79	31.4	31.4	4.0x	3.6x	1.22	1.12
Hardware stores	121.24	77.88	37.5	37.2	3.9x	3.8x	1.47	1.41



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**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Fierce competition forces changes in tool industry

(Continued from page 30)

tools were a hit with consumers and dealers in 1985. Skil, Makita, Hitachi, Milwaukee Tool, Amercep and Black & Decker all introduced a wider assortment of cordless tools.

Makita, in fact, went one step further and brought out its new Home T.E.C.H. line, aimed more specifically at the consumer than to contractors.

Along with the popularity of cordless tools, quality played a key role in dealers' tool buying last year. This was especially true with imported merchandise, as home center retailers were paying much closer attention to what they were purchasing from the Orient, Latin and South America, and Europe.

Tools more profitable home centers

Quality will continue to be an important element in the merchandising of tools by home centers, as many chains and independents look to improve their gross margins and sales in these categories.

Last year, it appeared that home centers, vis-a-vis hardware stores and DIY lumberyards, got the most out of their tool departments, according to research done on these three types of retail stores by the National Retail Hardware Association (NRHA).

These data show that home centers got close to five turns annually on hand tool inventory, and their average Gross Margin Return on Investment in the category was 1.74. Hardware stores and lumberyards, on average, were getting a full turn less in hand tools, and the GMROI was 1.47 and 1.22, respectively. In addition, home centers, with their reputation for being more promotional than either hardware stores or lumberyards, maintained comparable margins on hand tools with these other stores.

Hardware stores generally got a higher percentage of their sales from hand tools, but these products also accounted for a much higher percentage of a unit's total inventory compared with home centers or lumberyards.

The same data for power tools revealed, surprisingly, that home centers got higher average gross margins on these items than hardware stores or lumberyards. The home centers responding to the NRHA study also got at least 1½ more turns annually from power tools than the other two store types.

Perhaps the most remarkable finding in the NRHA study was the disparity between the GMROI home centers get on power tools and what lumberyards and hardware stores can generate. For every dollar invested in these products, home centers are getting back more than half again their investment. On the other hand, it does not appear that hardware stores and lumberyards are even able to break even selling power tools, based on their reported GMROI ratios.

However, it cannot be said that either hardware stores or lumberyards have relinquished the hand and power tool market to home centers completely. A heightening of competitiveness, taking the form of more frequent promotional activity, can be expected for all home improvement retail sectors, as the drive for market share marches on.

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D ☐ Hand & Power Tools
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F ☐ Plumbing
G ☐ Electrical
H ☐ Bldg. Supply materials/tools
I ☐ Heating/cooling
J ☐ Outdoor Living
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L ☐ Paints/sundries
M ☐ Wall coverings
N ☐ Floor coverings
O ☐ Ceiling products
P ☐ Lumber/plywood
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U ☐ Bathroom fixtures

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O ☐ Co-op/Member Dealer
P ☐ Independent
R ☐ Chain

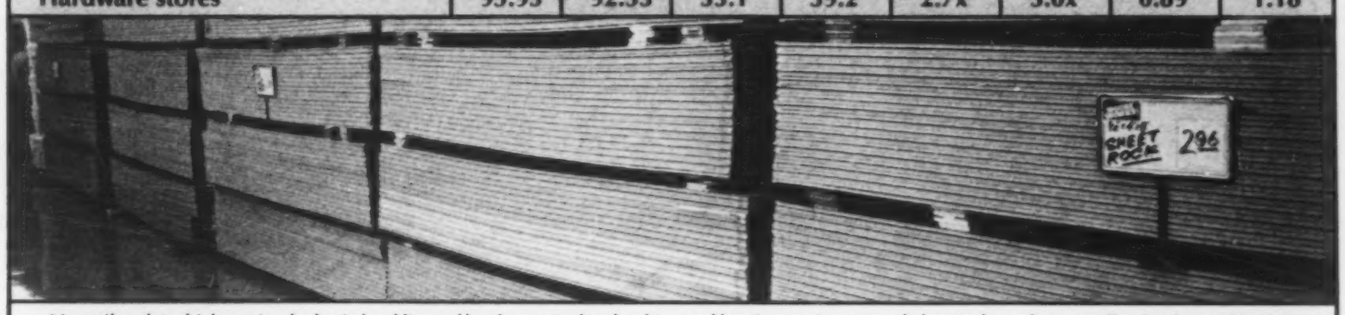
NH-6

Perspectives

annual report

Building Materials: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	292.18	280.76	29.6	27.5	5.8x	6.6x	1.72	1.82
Lumber/building material outlets **	606.85	405.29	28.7	27.4	7.1x	6.1x	1.98	1.66
Hardware stores	95.93	92.33	33.1	39.2	2.7x	3.0x	0.89	1.18



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**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Robust building material sales earnings mark '85

By an NHCN staff editor

NATIONAL REPORT — Suppliers and retailers enjoyed robust building materials sales in 1985.

Owens-Corning, USG, and even the troubled Manville Corp. enjoyed higher sales and earnings in 1985, partially in response to repackaging techniques and more streamlined efforts to cater to their retail buyers. Owens-Corning led the way with earnings of $131 million on sales of $3.3 billion.

CertainTeed and National Gypsum posted lower sales volumes for the year, even though both recorded upswings in earnings.

While retailers have historically complained that building materials have long suffered low margins and continued to do so in 1985, many, especially in the the North and Northeast, found roofing, gypsum and insulation turning at a brisk pace. What is more, there were some positive indications that roofing materials were beginning to earn better margins and a stronger commitment by both retailer and supplier to merchandise the category.

One of the steps manufacturers such as CertainTeed and Owens-Corning took in 1985 was to provide retailers with less expensive asphalt and fiberglass step-up shingles and special displays featuring the esthetic quality of the product.

With brands such as Certainteed's "Hallmark," Owens-Corning's "Chaparral II," or GAF's "Timberline," roofing makers have pushed laminated roofing shingles in strong promotional displays to show color diversity and highlight such aspects as fire resistance.

In drywall, shortages had many retailers scampering for product during the last half of the year, paticularly in the Northeast where commercial and residential housing starts were running above national averages.

Because gypsum board has long been plagued by periodic shortages, many retailers were placing long order files with their suppliers and some had tacked on price increases by the time they were restocked.

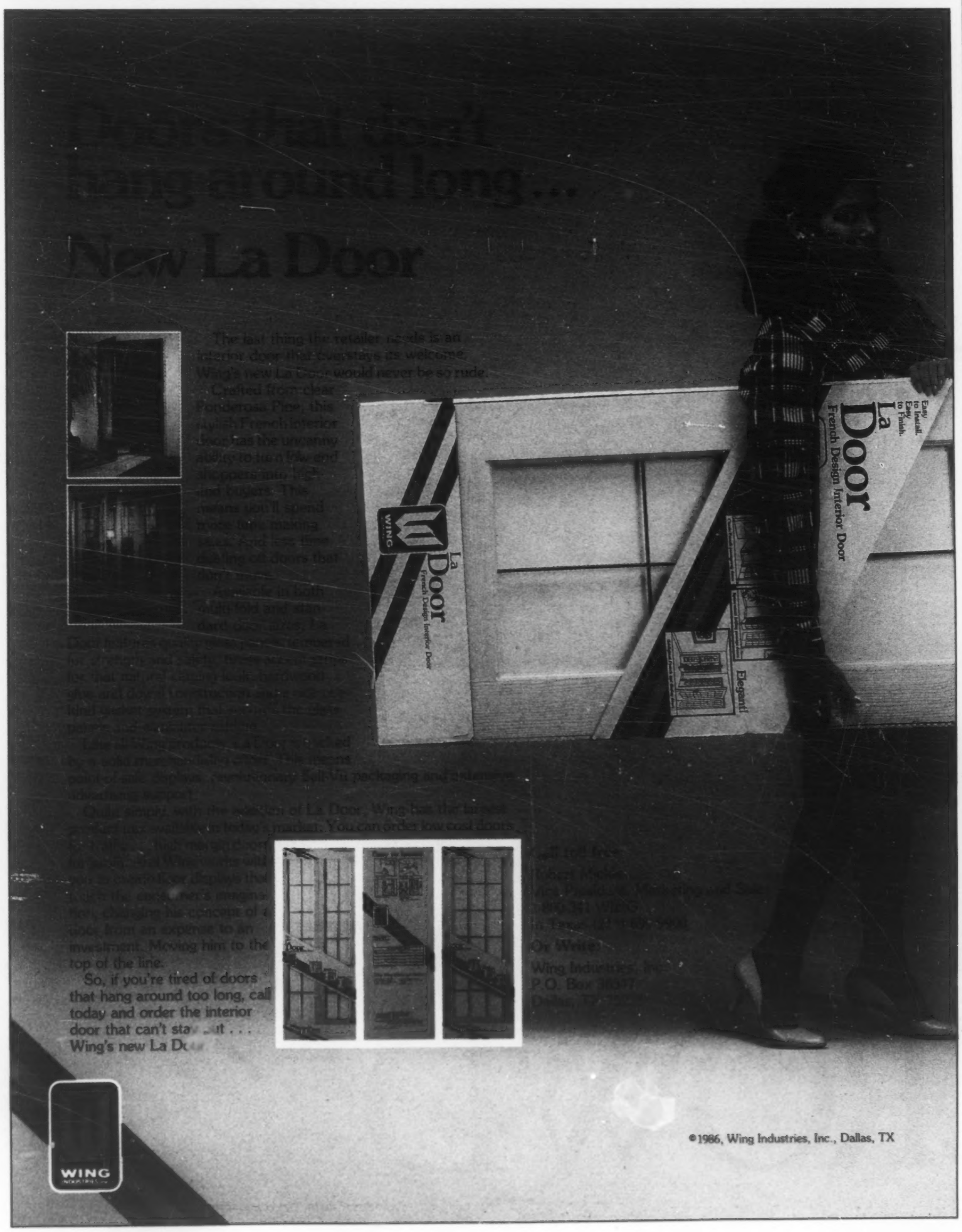
But high demand for gypsum has increased the commodity's price 62% since 1982, according to an industry analyst at Salomon Brothers, New York.

Faced with the end of tax credits, retailers resorted to a wide range of promotions to keep insulation in the public eye.

Despite the challenges retailers faced merchandising and pricing buildong materials, the category continued to be the highest contributor to hime center net sales, accounting for 25.7% last year, according to the National Retail Hardware Association.

When lumber and building materials are combined, the two products, not surprisingly, made up 46% of a home center's net sales. Building materials were the ninth highest ranked category in terms of gross margins, coming in at 29.6%.

DIY lumberyards earned about 32.6% of their net sales from building materials and enjoyed a whopping $606 in sales per sq. ft. Building materials were also a lumberyard's highest turning category at 7.1 turns.



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Electrical Supplies: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	130.32	126.60	36.5	38.7	4.8x	5.1x	1.76	1.95
Lumber/building material outlets **	177.62	176.09	33.4	33.2	5.2x	3.3x	1.72	1.10
Hardware stores	147.41	94.39	39.9	41.2	4.6x	4.0x	1.85	1.65

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**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Electrical departments yield high gross margins

By an NHCN staff editor

NATIONAL REPORT — Today's more affluent families have greatly influenced merchandise assortments in many retailers' electricals departments. The demand for supplies and accessories for television sets, stereos, video tape recorders, computers, and almost anything electronic, has been answered with larger, more product-oriented electricals departments.

Particularly popular electricals supplies have been surge suppressors, multistrip electrical outlets and programmable light timers and thermostats, according to retailers. But the growth in these products have not dimmed the appeal of other, more traditional electrical items like extension cords, switches, bulbs and fixtures.

In fact, according to a Frost & Sullivan report released last year, electricals is one of the "hottest" product groups in home improvement retailing.

Electricals, as a category of merchandise, is a staple, sold by all home center and hardware retailers surveyed in three reports recently released by the National Retail Hardware Association/Home Center Institute. DIY lumberyard dealers carry the category, but to a lesser degree than the other type of retailers in the survey. The National Retail Hardware Association (NRHA) said only 84.8% of these retailers have electrical departments in their units.

With gross margins between 33% and 40%, electrical supplies produce some of the highest gross margins in home improvement retailing. Hardware store dealers get better margins on electricals than either home centers or DIY lumberyards, with 39.9%, according to the NRHA.

They also get the best gross margin return on inventory compared to the other two types of DIY outlets. With a GMROI of 1.85, electricals, along with the heating and cooling department, top the GMROI list for hardware dealers.

Lumberyards, however, achieve the greatest sales per square foot in this category, $177.62. They account for 5% of total sales and occupy 8.2% of the retail floor space. Electrical supplies account for 5.3% of total inventory and the sales to inventory ratio is 5.2.

Home center operators get the fewest dollars per square foot in the electricals category, $130.32. The category accounts for 5.5% of an average home center's net sales and took up 7.6% of a store's retail floor space. Electrical supplies, according the NRHA, amounted to just 4.8% of total inventory. The sales to inventory ratio is 4.8.

Hardware stores get $147.41 in sales per square foot in the electricals department, making it the most profitable piece of real estate in the store. This category of merchandise comprises 12.8% of a hardware unit's net sales, which is second only to the hardware department, at 17.5%.

Electricals occupy 12.2% of the sales floor and 13.3% of the inventory at hardware stores.

In addition to getting slightly less than a 40% margin on these products, electricals had a sales to inventory ratio of 4.6, the highest for all products sold through hardware stores, according to the NRHA.

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NRHA program aimed at housewares sales boost

By an NHCN staff editor

NATIONAL REPORT — Last year housewares manufacturers focused their attention on a program aimed at stemming the category's eroding market share in DIY channels.

The National Retail Hardware Association (NRHA) and the National Housewares Manufacturers Association (NHMA), in conjunction with a committee of housewares manufacturers and the hardware buying groups, created a program to stop the decline. It was unveiled last November at the 83rd semi-annual Housewares Exposition in Chicago.

The $45 billion industry does about $1.36 billion of its annual sales, or 3%, through DIY channels, the two associations reported. Although it is a hefty sum, sales through DIY outlets have actually declined.

Housewares commands nearly a 40% gross margin overall, the trade groups note, but less than that in the home improvement industry.

According to the 1985 Bottom Line Report published by the NRHA, housewares achieves only a 1.05 gross margin return on inventory for retailers, one of the lowest GMROI's in a store's product mix.

Dick Wright, vp-marketing for NRHA, said his goal is to improve that to 1.50% GMROI, which will bring the category on par with hand tools and hardware items in hardware stores and lumber in lumberyards.

News of the program is spreading slowly and is being met with mixed reviews. Many retailers don't believe they can achieve the 40% margins and don't care to try. Intense competition both from within and outside the industry, particularly from discount retailers, has them doubtful.

But many retailers are having great success with their housewares programs, among them All American Home Center of Downey, Calif.;Hechinger of Landover, Md.; Mr. Goodbuys of Philadelphia; and Great Ace Hardware, Chicago.

According to three NRHA reports, less than half of all home center retailers have a housewares department compared to about 87% for hardware stores. Housewares departments can be found in less than 20% of all lumberyards.

Hardware stores get the best gross margin on the merchandise, 34.1% compared to 33.8% for home centers and 23.4% for lumberyards.

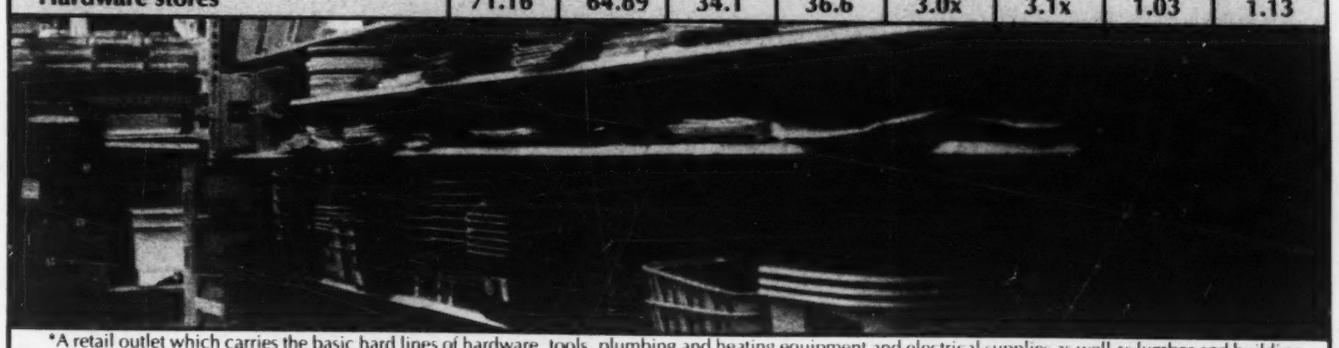
Housewares gives home centers $85.23 in sales per square foot of retail space, and amount to just 2% of net sales. The category occupies 5.5% of the sales floor in a home center and constitutes 2.6% of the store's inventory.

In hardware stores, the category generates sales of $71.16 per square foot and amounts to 7.6% of net sales. Housewares merchandise occupies 11% of the typical retail sales floor in a hardware store. The category amounts to 9.5% of a dealer's inventory.

Lumberyard owners achieve the best housewares sales per square foot of retail space, $92.33, but these sales only amount to 0.6% of a dealer's net sales. And, only 1.1% of the total sales floor in a lumberyard is dedicated to housewares.

Housewares: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	85.23	92.70	33.8	31.2	3.1x	4.6x	1.05	1.45
Lumber/building material outlets **	92.33	156.68	23.4	23.9	2.3x	2.3x	0.52	0.54
Hardware stores	71.16	64.89	34.1	36.6	3.0x	3.1x	1.03	1.13



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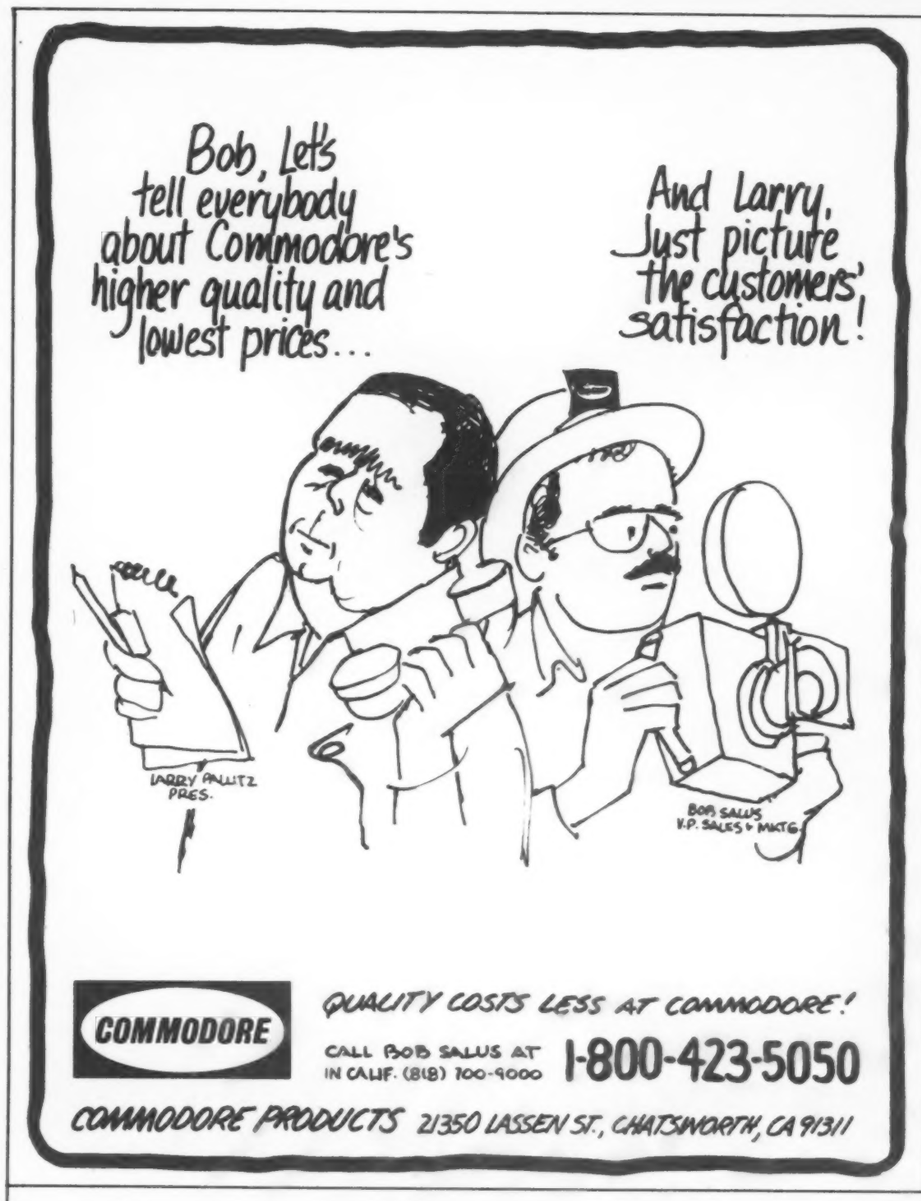
**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute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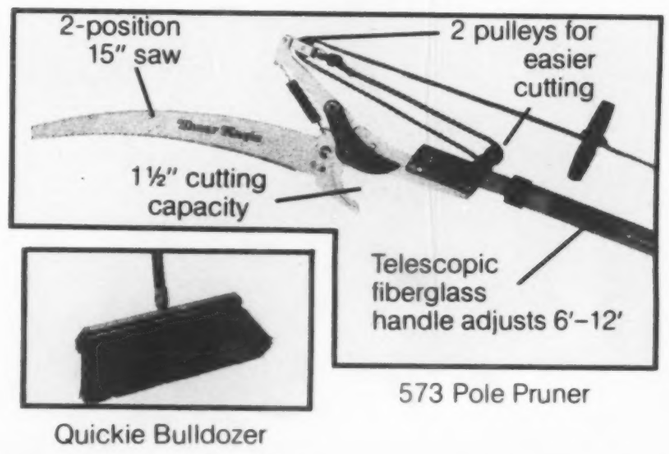

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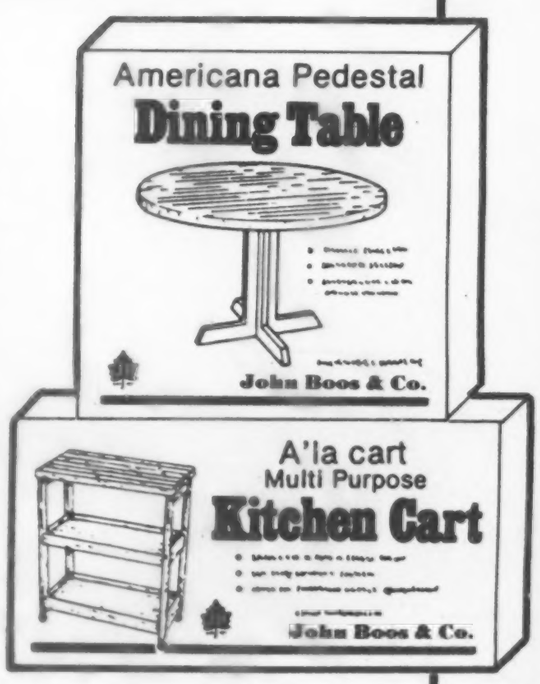

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Perspectives

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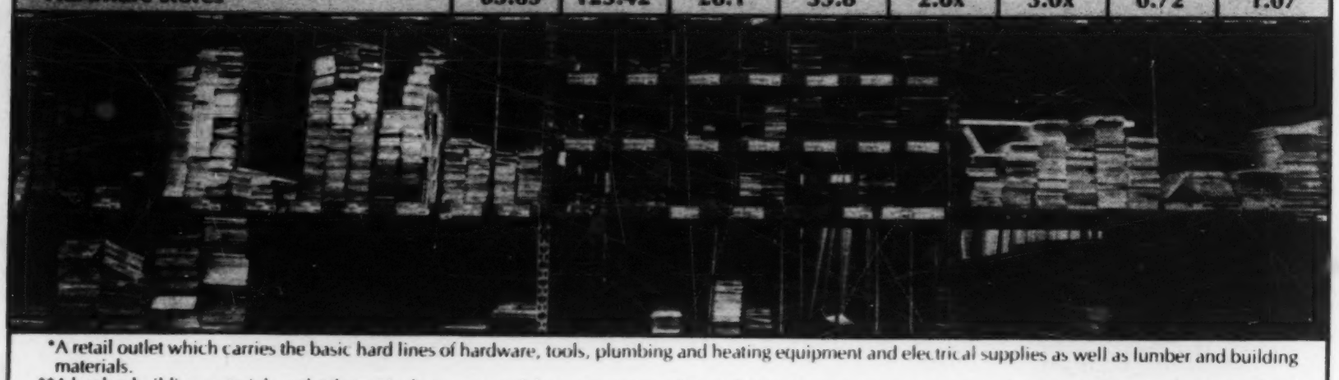
Lumber: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	364.21	261.14	25.5	26.9	8.3x	7.2x	2.11	1.94
Lumber/building material outlets **	769.24	796.75	24.3	25.4	6.5x	6.5x	1.56	1.65
Hardware stores	63.65	125.42	28.1	35.8	2.6x	3.0x	0.72	1.07



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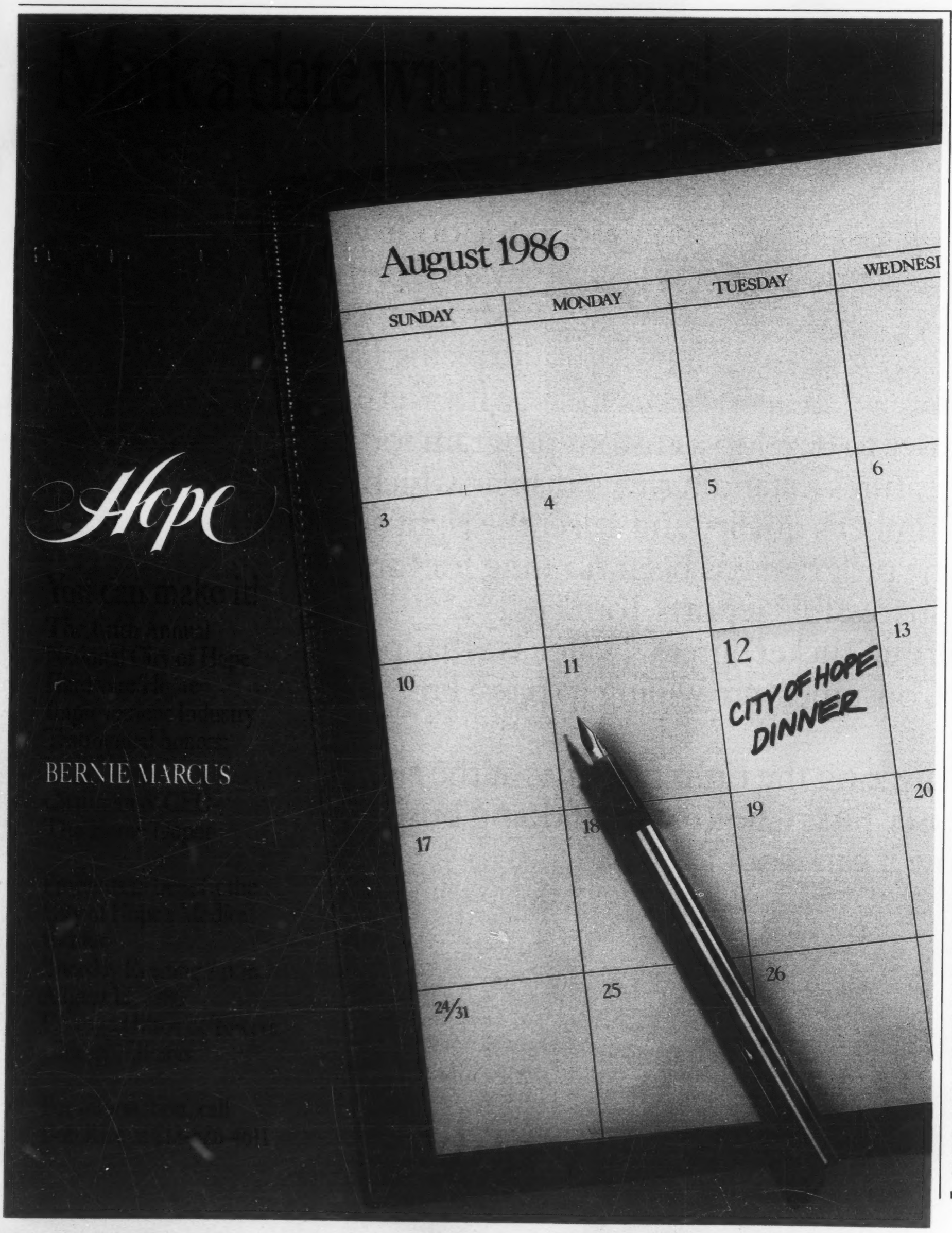
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute



Lumber prices continue drop throughout 1985

By an NHCN staff editor

NATIONAL REPORT — Like the year before it, 1985 gave further evidence to lumbermen that theirs is a feast or famine enterprise.

The chronic problems of oversupply, depressed prices, Canadian imports and idled mills have long haunted manufacturers. But dealers began to share some of the agony as more than 600 lumberyards went out of business in farming areas of the Midwest, South and Plains states.

To offset the sharp drop in contractor sales in depressed areas, many lumberyards increased their overtures to DIY shoppers. Late last year *Random Lengths*, an industry newsletter, reported that of 179 contractor-oriented lumber yards polled in a survey, one-fourth were counting on DIY traffic for half of their sales. Not only were these respondents stocking more homeowner items, but were also bringing more lumber from the outdoors to display on the showroom. The number of dealers looking for more DIY business represented a 10% increase from a similar poll a year earlier, the newsletter reported.

Plywood's successors gain share

Among the products in the lumber department DIYers encountered with greater frequency in 1985 were oriented strand board and waferboard structural panels, the two chief rivals and expected successors to plywood. Despite some dealer suspicion that these unadorned nonveneer boards enjoy limited demand from shoppers (despite being priced less than plywood), producers put nearly 4 billion board feet of nonveneer panels on the market last year and project a tripling of that output before the decade ends.

Lumber prices continued their fickle, topsy-turvy price swings through most of 1985, before reaching disappointing levels by the end of the fall building season.

In May of last year, *Random Lengths'* framing composite price capped off an eight-week price hike at $238 per thousand board feet, the second longest recorded spiral in the history of the composite index. In an unusual turn of events, southern pine garnered advances of over $100 from 1984, higher even than western or Canadian spruce, the timber preferred by builders.

By September, the framing composite price had dropped to $171, one of the lowest price levels since 1983.

Beetle infestation erodes lumber prices

Part of the reason for the drop in lumber prices had to do with the pine beetle infestation in the South, which some called one of the worst blights in memory. Salvage timber—good trees cut prematurely as a buffer between beetle-killed trees and healthy stands—hit rock bottom as growers literally gave their trees away. Stumpage that sold for $300 per thousand board feet in 1980, and $110 by the middle of 1984, was being sold for as little as $10 to $15 per thousand board feet during the height of the scourge. By October, the United States Forest Service reported that 800 million board feet of southern pine had been destroyed.

Perspectives

annual report

Hardware profitability, total sales boosted in '85

By an NHCN staff editor

NATIONAL REPORT — Given the virtual universality of hardware departments at home centers, one might think vendors would be constantly introducing a cascade of new products to excite shoppers and thereby help retailers further punch up what is already one of the highest gross margin categories in the home center product universe.

Yet, the hardware message in 1985 was just about the same as in former years: Hardware is functional, and its role is primarily as an add-on item to project sales, rather than as either impulse or demand merchandise.

Vendors and retailers alike turned more to new methods of getting the product moving faster—and tracked better—as a means of punching up the category's profitability. By the end of the year, the largest hardware vendors were starting to attach bar code labeling to their products to help retailers turn the product faster in comparison to the stock they kept on hand.

At the same time, vendors were introducing new displays to attract the attention of shoppers. In essence, the move came to organize what can be a department with some 300 to 400 different items at various price points, into a presentation that is more understandable for the consumer.

As for the vital role such decisions will play in the building materials world, figures in three recently released reports from the National Retail Hardware Association (NRHA) tell the tale.

Hardware accounts for 10.3% of total sales at home centers, somewhat above the share it commands at lumberyards. While that's far below the 24.5% share commanded by lumber, and the 27.6% commanded by building materials, there's no doubt that hardware is the most visible element of the hardlines movement in home centers. Hand tools and power tools, for example, each make up less than 4% of total sales.

Further, the study shows that home centers devote an average of 13.9% of their showroom space to hardware. That's higher than any other category save building materials.

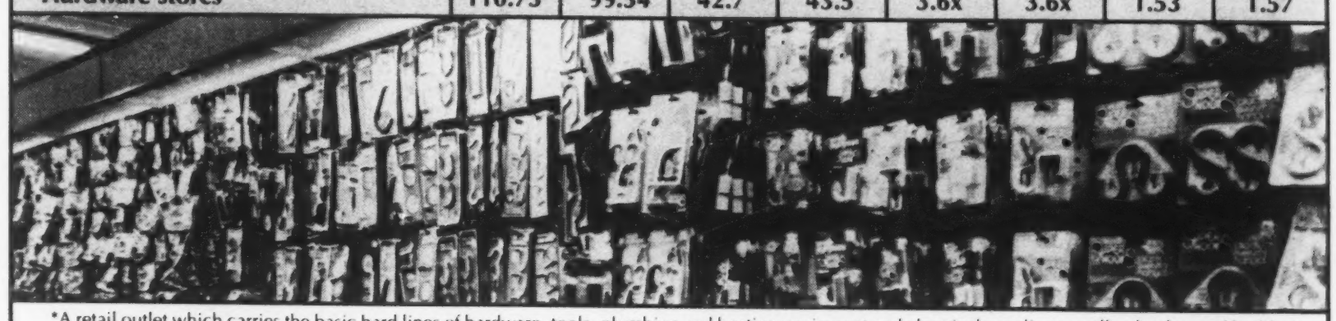
And the room devoted to the display of hardware is naturally reflected in the amount of stock the average home center needs to keep. Hardware now accounts for 12% of total inventory at home centers. The only higher categories are lumber, at 22.8%, and building materials, at 29.3%, largely because of project selling.

Yet, the home center industry faces quite a challange in squeezing more profit out of a category that is already among the best performers. Home centers enjoy an average gross margin of 40% on hardware last year, according to the NRHA reports. That's well ahead of the comparable percentage obtained from other merchandise in the store. Only hand tools, with their 35.6% average gross margin, come within spitting distance.

Furthermore, the increasing competition from discount stores and grocery stores may further erode the ability of home centers to punch up average gross margins much further, despite the technological advances being introduced by vendors.

Hardware: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	140.78	144.79	40.0	38.7	5.3x	4.2x	2.13	1.62
Lumber/building material outlets **	138.64	162.07	33.6	32.9	3.4x	3.4x	1.13	1.12
Hardware stores	110.73	99.54	42.7	43.5	3.6x	3.6x	1.53	1.57



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GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

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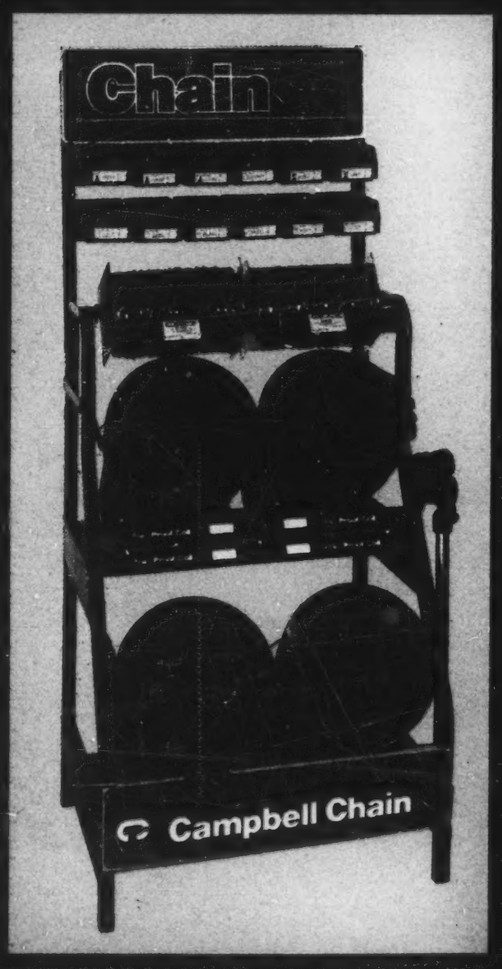

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Perspectives

annual report

L&G product sales exhibit greatest boost since '79

By an NHCN staff editor

NATIONAL REPORT — Home improvement retailers have shown the greatest percentage increase in sales of lawn and garden products since 1979.

Retail sales of lawn and garden products at home centers, hardware stores and lumberyards climbed 138.5% in those years, according to research conducted by Greenidge & Associates, an Evergreen, Colo., consulting firm. By comparison, chain stores and mass merchandisers' sales of lawn and garden products were up 123.7% since 1979, and lawn and garden centers and nurseries experienced a 52.6% aggregate gain.

Multi-department stores like mass merchandisers and home centers employed their management sophistication toward increasing their share of the relatively young, and growing lawn and garden market. The Home Depot, Scotty's and Mr. HOW Warehouse were just a few of the home center chains that capitalized on this growth by adding live goods and generally buttressing their presentation of outdoor products.

Independent research also confirms the tremendous growth of lawn and garden sales. According to Dr. Chuck Greenidge of Greenidge & Associates, total industry sales at retail grew 21.6% in 1985 to $26.5 billion, up from $21.8 billion the previous year.

Prospects for further growth are just as bright, due to a number of reasons, including the aging of the baby-boomer. "A large segment of the population is entering the age of first family formation," noted Dr. Greenidge. "The next three-year to four-year period should be particularly strong for lawn, garden and nursery sales."

A major factor in last year's growth was fair, spring weather in most areas of the country. Another was the recovery in home construction and home sales. "When people move, one of the first things they take care of is the outside of their new house," said Dr. Greenidge.

Americans on the whole are becoming more cognizant of their homes' exterior appearance, said many executives in both the nursery and home center businesses.

According to the National Retail Hardware Association (NRHA), home centers, on average, garner gross margins of about 33% from their lawn and garden departments. The 1985 Bottom Line report for home centers, published by the NRHA and the Home Center Institute, indicates that 8 out of 10 home centers have lawn and garden departments.

Hardware store are even more likely to sell lawn and garden products. According to the NRHA, 9 out of 10 hardware stores have lawn and garden departments, from which they generate margins of about 35%.

In terms of productivity, lawn and garden departments at home centers produce the fifth highest gross margin return on inventory investment, of 13 departments tracked by the NRHA reports. The lawn and garden department's GMROI of 1.76 in 1985 was comparable to electrical supplies, and higher than hand tools, building materials, power tools and housewares.

Lawn & Garden: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	117.01	89.53	33.2	29.5	5.3x	5.2x	1.76	1.55
Lumber/building material outlets **	175.27	173.68	27.2	30.0	5.0x	3.8x	1.33	1.14
Hardware stores	115.65	92.66	35.4	34.5	4.0x	4.3x	1.40	1.48

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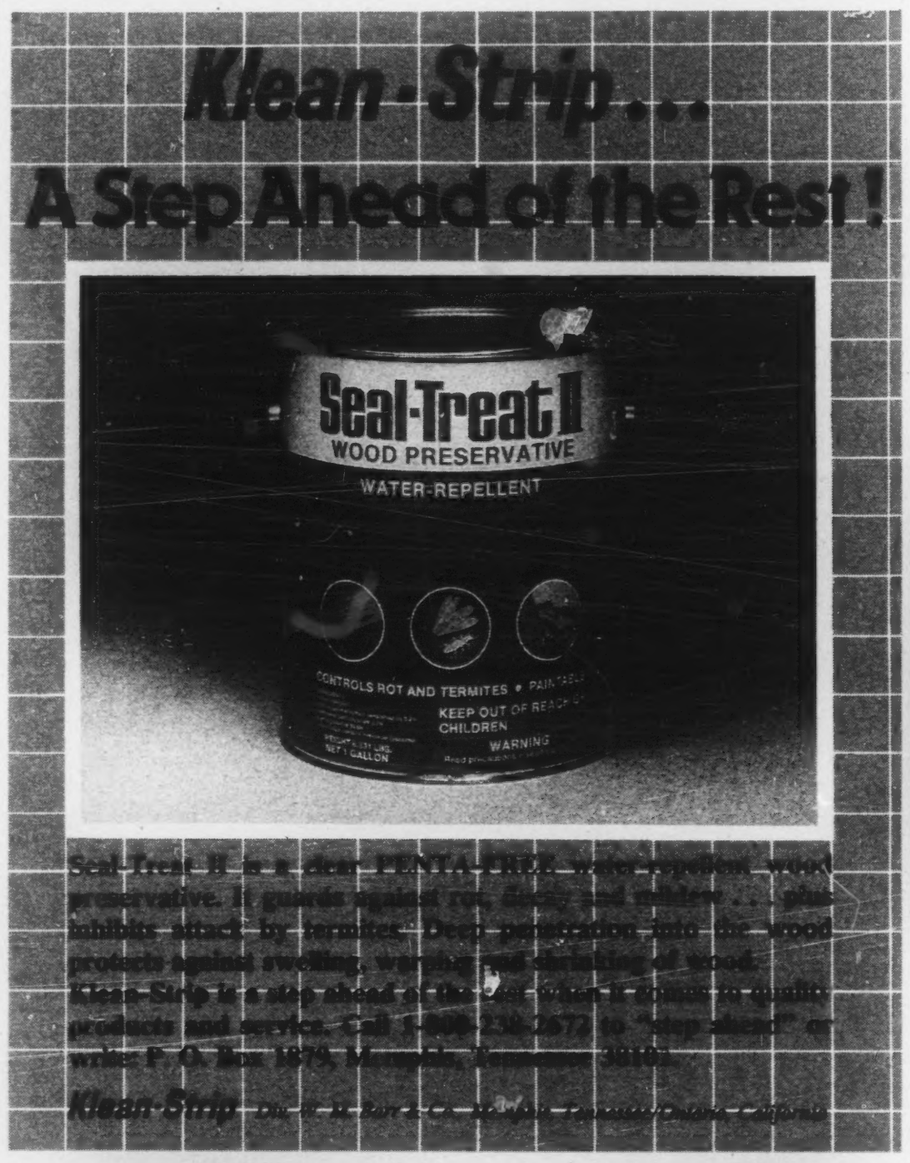
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute



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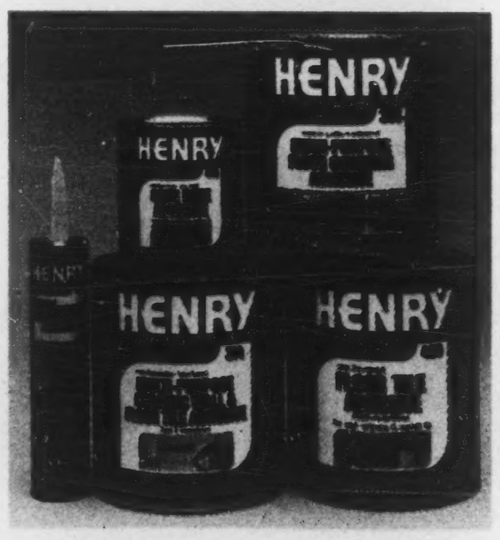

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Perspectives

annual report

Plumbing sales sparked by kitchen dept. growth

By an NHCN staff editor

NATIONAL REPORT — The plumbing, heating and cooling category benefitted positively from the growth in home centers of the kitchen and bath department.

With some exceptions (notably, Lowe's), dealers will display plumbing and energy-related products adjacent to K&B departments that, industrywide, have been greatly expanded over the past few years.

In the plumbing and bath category, the name of the game was high-end, as dealers looked to improve their stores' image as a specialist selling this merchandise.

From tub surrounds and enclosures, to better-made fixtures, to higher-end brass bath accessories, home centers placed greater emphasis in 1985 on style (and higher price points and margins) in this category.

Last year, there was also more concern among dealers for striking a balance between the merchandise dealers purchased from wholesalers, and those which could profitably be bought with no middleman.

The faucet category was particularly affected by this quality drive, as myriad suppliers such as American Standard, Kohler, and Sepco brought out new lines to cater to a more discriminating consumer.

That Masco Corp. announced last year the introduction of its ultra-high-end, 700-sku "Epic" faucet line was indicative of where the market for plumbing and bath appeared to be headed.

Most energy products continued to enjoy decent sales gains, despite the fact that energy tax credits were removed by Congress.

Industry sources estimated that 2.2 million woodburning stoves were sold last year. Setback thermostats enjoyed a resurgence in 1985, and suppliers estimates that 4.5 million units could be moved in 1987.

About 10 million ceiling fans were sold in 1985. However, because of oversaturation, the market has leveled off considerably. For the most part, dealers report that the margin structure in the category has deteriorated.

Data from the National Retail Hardware Association (NRHA) reveals that home centers, on average, get about 8% of their sales from plumbing, heating and cooling merchandise, and that stores' sales per square foot in the category were $143.50, up from $132.94 in 1984. Home centers have also increased their margins in the category to 40% from 37.6% in 1984, and turnover to 5.3 times annually from 4.8.

Gross margin return on inventory in this category was 2.13, the second highest GMROI recorded by NRHA in the 10 product categories it tracks.

However, hardware stores, according to comparable data, devoted more of their stores' floor space and inventory to plumbing, heating and cooling, which accounts for about 13% of a hardware store's volume. And hardware stores' profitability in the category is only slightly less than a home center's.

DIY lumberyards get only around 5% of total volume from these products, and are selling them at margins that are 10 percentage points lower than other type stores.

Plumbing, Heating & Cooling: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	143.50	132.94	37.6	37.6	5.1x	4.8x	1.92	1.81
Lumber/building material outlets **	198.75	222.30	30.9	27.5	4.1x	3.6x	1.24	0.99
Hardware stores	137.57	89.38	41.1	41.8	4.5x	3.9x	1.85	1.63

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GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

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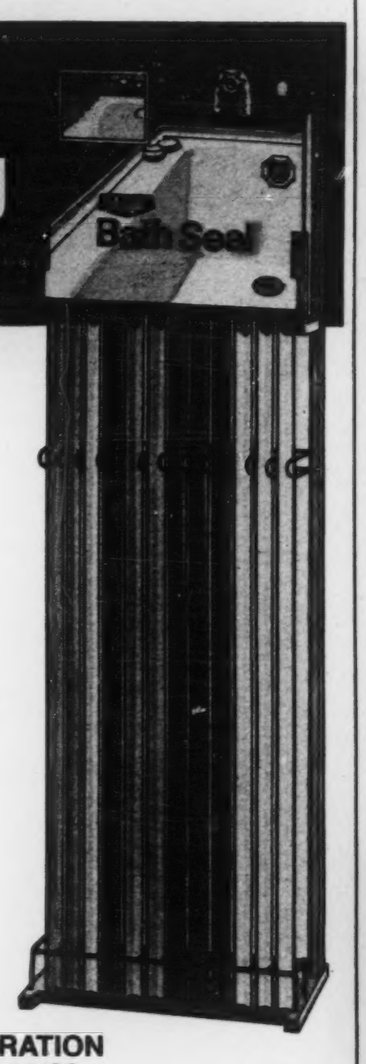

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Perspectives *annual report*

Residential alterations and repairs top $76 billion in 1985

By an NHCN staff editor

NATIONAL REPORT — Residential alterations and repair activity totaled $76.5 billion in 1985, a 9.6% increase over the $69.8 billion recorded in 1984, according to projections by an economist at Merrill Lynch, New York.

Richard Mount, senior economist and manager of housing and construction material research for Merrill Lynch Economics, made his projections for *National Home Center News* based on the first three quarters of the year. Statistics for the third quarter of 1985 were only just released on April 9 by the U.S. Commerce Department. More exact numbers, which will eventually be released by the Commerce Department, are not yet available.

Third quarter 1985 residential alterations and repair expenditures were an estimated $77.5 billion, seasonally adjusted, up 10% from the $70.4 billion recorded during second quarter, the Commerce Department reported.

A spokesman for the Commerce Department said the reporting delays were due to computer problems and a change in the survey methodology implemented last year. He added that the Commerce Department is scheduled to release fourth quarter 1985 numbers in mid-June but admits that that schedule will probably be delayed, too.

For 1985, Mount at Merrill Lynch is forecasting a 7% increase in residential alteration and repair activity to about $81.8 billion.

Although the percentage of increase will decline slightly in 1986, from the nearly 10% recorded in 1985, Mount feels the 7% increase in activity is strong. His projection is conservative, he explained, because he expects housing starts and resale home sales to flatten during the second half of the year and business in general to level off.

The nation's professional remodelers are more optimistic about home repair activity.

The National Association of the Remodeling Industry (NARI), reported 1985 professional remodeling sales at $52.1 billion, a 17% increase over the $43.1 billion charted in 1984. This year, the association projects between a 12% and 14% increase in activity, to between $58 billion and $60 billion. In 1987, they are estimating business will increase another $12% to $65.4 billion.

Mount is projecting 1987 will record another 7% increase in residential alterations and repairs, to about $87.5 billion.

Remodeling and repair activity was strong in 1985, according to NARI officials, and remodelers at last month's annual convention in Orlando reported they are optimistic about 1986. Some remodelers are even estimating that their sales will nearly double those of 1985.

Wayne Kaufman, vp of REX Industries of St. Louis, said 1985 "was good and I feel good about 1986." He cited lower interest rates and easier financing arrangements for consumers. Kaufman's business generates more than $5 million in "strictly residential" project work, he said, mostly in replacement windows, siding, kitchens, baths and enclosures.

Business is also very strong for Jerry Bieder, co-owner of Jarro Building Industries Corp., East Meadow, N.Y. He said in the past few years, his company has been hired to do "larger and larger projects." Usually his crews are working on projects that range in cost from $30,000 to $130,000.

This year, Mount, of Merrill Lynch, is projecting that expenditures will be strong in all three survey categories: maintenance and repairs; additions and alterations; and major replacements.

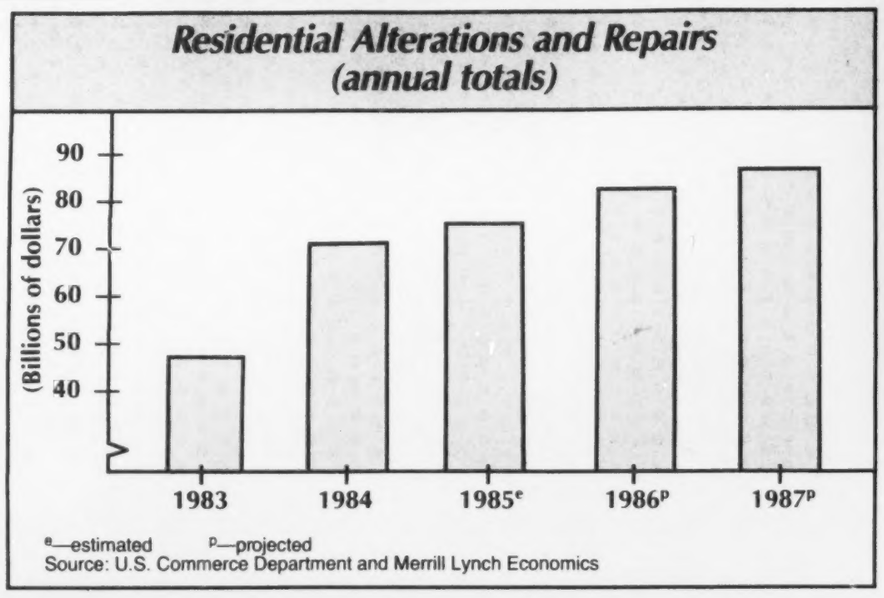
The Commerce Department defines maintenance and repairs as expenditures for the upkeep of the property rather than for additional investment. Additions and alterations include expenditures for the construction of new rooms plus changes to the home's interior, ranging from a new light switch to a complete remodel. Major replacements are identified as big ticket items, such as a whole new roof, kitchen cabinets and central air-conditioning.

According to the just- released Commerce Department statistics, the $7.1 billion increase, seasonally adjusted, in the $77.5 billion total spent on residential alterations and repairs during the third quarter, were spread out across all three categories.

The largest gain was in additions and alterations, up $3.9 billion, seasonally adjusted, from second quarter, to $29.5 billion.

Additions and alterations, along with major replacements— which posted sales of $14.3 billion, seasonally adjusted, a $1.9 billion increase over second quarter—are identified collectively as total construction improvements and amounted to $42.9 billion, an increase of $4.9 billion.

Maintenance and repairs totaled $33.7 billion, seasonally adjusted, in this quarter.



Annual expenditures for residential alterations and repair projects should remain strong for the next several years, with growth swelling by nearly 10% in 1985 and by 7% for both 1986 and 1987. NHCN chart

Expenditures by residential property owners
(seasonally adjusted for 1985)

1985 quarters	Expenditures, total	Maintenance & repairs	Construction Improvements: Total	Additions & alterations	Major replacements
1st qtr.	84,900	37,300	47,600	29,700	17,900
2nd qtr.	70,400	32,400	38,000	25,600	12,400
3rd qtr.	77,500	32,700	42,900	29,500	14,300

Source: U.S. Commerce Department

Residential property owners spent an estimated $76.5 billion last year on alterations and repairs to their homes. Although activity was strong in all three survey categories, additions and alterations picked up the most momentum during third quarter. NHCN chart

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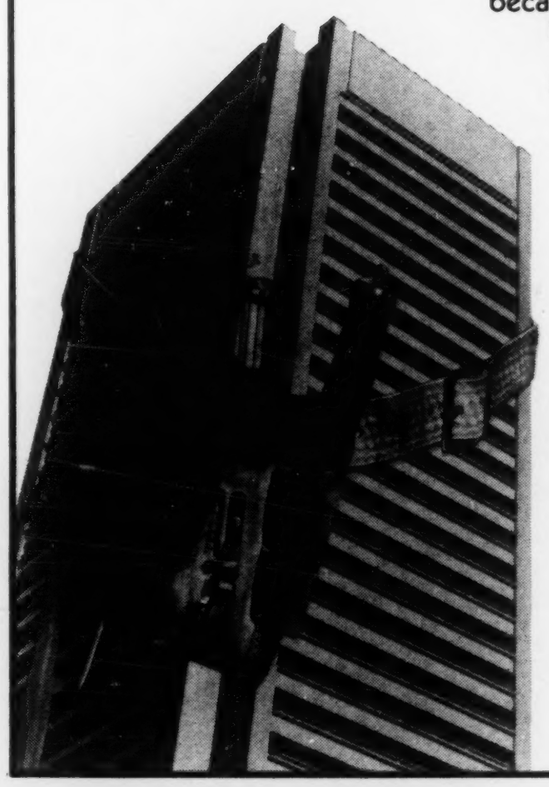

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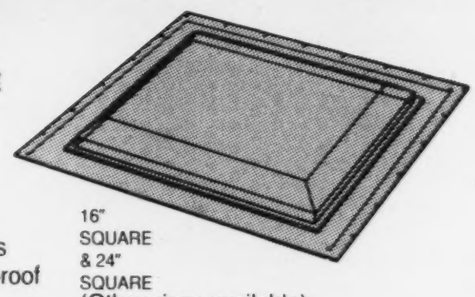

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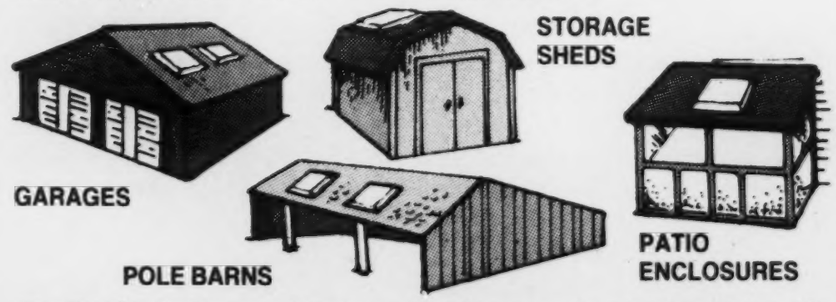

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Perspectives

annual report

California to retain top spot in building material sales

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Despite having three of its metropolitan areas drop from the top 10 ranking of retail building material sales markets, California should continue to reign as the leading building material and general retail sales market for the second consecutive year, according to projections by *Editor & Publisher's 1986 Market Guide.*

California is expected to gross more than $7.9 billion in 1986 building material sales, making it the top state in building materials sales in the nation. Texas is a close second in total building materials volume, projected to gross about $6.3 billion in 1986. Florida, which did not have any metropolitan markets in the top ten, is the third ranked building material sales states with a projected volume of $4.1 billion.

California and Texas also ranked one, two in total retail volume (see chart).

The Los Angeles/Long Beach area alone, which was the number one building material retail sales market in *Editor & Publisher's* 1985 projection, is expected to keep that lead among 52 metro markets that are expected to gross more than $250 million in aggregate building material sales in 1986.

Southern California declines a bit

The Los Angeles/Long Beach area is expected to gross close to $2 billion of that total this year, according to *Editor and Publisher,* hitting about $1.87 billion.

But Riverside/San Bernardino, Anaheim/Santa Ana and San Diego slid from the top 10 list of building material sales markets with San Diego expected to take the deepest plummet from last year's tenth position, as its projected sales are expected to drop 31.4% from its 1985 totals to $588.5 million this year, which would place San Diego 21st of the top 50 markets.

Joining the top 10 in the 1986 projection were Atlanta, New York City and Long Island (Nassau/Suffolk, N.Y.).

Atlanta, ranked 13th last year with sales of $828.8 million, climbed to sixth position in 1986 with projected building material sales of $1.0 billion.

New York City jumped from 14th spot in 1985 to take the fifth position of the with $1.1 billion, a 36.7% increase. The Nassau/Suffolk market rose from 12th position to number eight, with expected sales in 1986 of $964 million.

Besides New York, Los Angeles and Atlanta, three other metropolitan markets are expected to earn more than a billion dollars in 1986 in building material sales. These include, in order of size, Chicago ($1.3 billion and second on the list), Houston ($1.2 billion and ranked third) and Philadelphia ($1.1 billion and holding the fourth position).

Several markets near $1B sales

In addition to Nassau/Suffolk, several other cities are on the brink of entering the billion-dollar building material sales club. These include seventh-ranked Detroit at $970 million in expected sales; Minneapolis/St. Paul at ninth place with $926 million (a drop from 1985's third place ranking at $1.1 billion); and tenth-place Boston with estimated sales in 1986 at $924 million (a drop from last year's sixth position with projected sales of $1 billion).

San Antonio led a contingent of six cities that made the list for the first time with building material sales at or above $250 million. San Antonio is expected to gross $416.7 million in building material sales to take the 32nd spot on the list. Other newcomers, in order of rank and sales volume, include: Monmouth/Ocean, N.J. ($379.1 million and 37th place); Bergen/Passaic, N.J. ($364.6 million and 39th place); Anchorage ($303.8 million and 47th place); Louisville, Ky. ($295.8 million and 49th position); Rochester, N.Y., ($250.7 million and 52nd place); and Hartford ($258.8 million and 51st place).

Three cities are expected to lose ground in building material sales, according to *E&P's* projections. San Jose, Calif., ranked 16 last year, is expected to drop to 26th position with sales of about $465.8 million. Oklahoma City dropped from 24th to 34th with projected sales of $482.3 million and the Greensboro, N.C., market is slated to fall to 48th.

Texas areas expect strong growth

Although a dozen cities showed upswings over 1985 projections, Dallas and Austin, Tex., are expected to post remarkable sales in building materials in 1986. Dallas is projected to jump from 20th to 12th with sales in excess of $820 million while Austin is to climb from 49th to 31th, with sales topping $423 million.

E&P's projections of state building material sales were consistent with the metropolitan markets from those states. With the exception of New Jersey, Florida and Ohio, seven of the states that made the top ten building materials sales list also had the top metropolitan markets.

Only three states—Georgia, Massachusettes and Minnesota—despite having top 10 metropolitan markets, did not remain on the top ten state list.

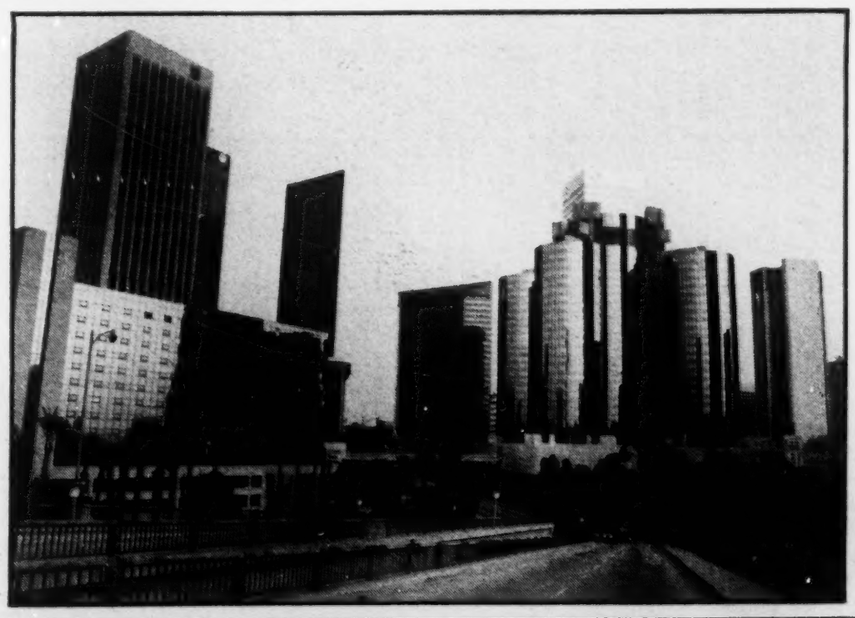
The 1986 Top Metro Market Building Material Sales Estimates Appear on Page 60.

National Projection of Building Material Retail Sales

States	1986 Retail Bldg Mat'l Sales Rank	1986 Bldg Mat'l Sales Volume (In $ thousands)	*Stores	Total Retail Sales Bank
Alabama	26	$1,053,104	1,108	26
Alaska	36	545,962	134	47
Arizona	23	1,102,386	685	25
Arkansas	31	703,976	797	31
California	1	7,958,435	5,531	1
Colorado	19	1,432,574	966	22
Connecticut	28	1,027,674	866	23
Delaware	48	227,410	201	49
Dist. of Columbia	50	57,036	40	51
Florida	3	4,195,137	3,264	4
Georgia	9	2,042,085	1,574	12
Hawaii	49	216,809	126	41
Idaho	42	368,179	399	43
Illinois	5	2,964,943	3,024	5
Indiana	13	1,691,459	1,762	14
Iowa	25	1,070,011	1,566	29
Kansas	29	858,957	1,028	32
Kentucky	27	1,043,113	1,163	27
Louisiana	17	1,588,127	1,298	21
Maine	40	464,828	457	40
Maryland	22	1,236,459	880	16
Massachusetts	12	1,873,896	1,466	10
Michigan	8	2,374,493	2,551	9
Minnesota	11	1,878,722	1,949	17
Mississippi	32	701,845	761	33
Missouri	14	1,665,076	1,678	15
Montana	43	354,120	438	46
Nebraska	33	601,064	820	35
Nevada	41	407,481	242	39
New Hampshire	39	531,621	425	38
New Jersey	10	2,035,217	1,687	8
New Mexico	34	580,742	398	36
New York	4	3,815,453	3,851	3
North Carolina	8	2,412,393	1,966	11
North Dakota	38	353,495	479	48
Ohio	7	2,550,749	2,758	7
Oklahoma	20	1,277,661	1,039	24
Oregon	30	767,286	941	30
Pennsylvania	6	2,936,517	2,985	6
Rhode Island	47	263,713	238	42
South Carolina	24	1,092,096	993	28
South Dakota	44	288,888	430	49
Tennessee	21	1,272,002	1,348	20
Texas	2	6,313,184	4,211	2
Utah	37	537,778	383	37
Vermont	46	269,517	265	50
Virginia	15	1,611,855	1,277	13
Washington	16	1,596,106	1,335	18
West Virginia	35	543,380	608	34
Wisconsin	18	1,473,909	1,805	19
Wyoming	45	365,903	270	45

*Stores include lumber and building material dealers; glass, wallpaper and paint stores; hardware outlets; garden supply stores; and mobile home dealers.
Source: *Editor and Publisher* estimates

The Los Angeles-Long Beach area, which was the number one building material retail sales market in 1985, is expected to keep that lead in 1986.



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Perspectives

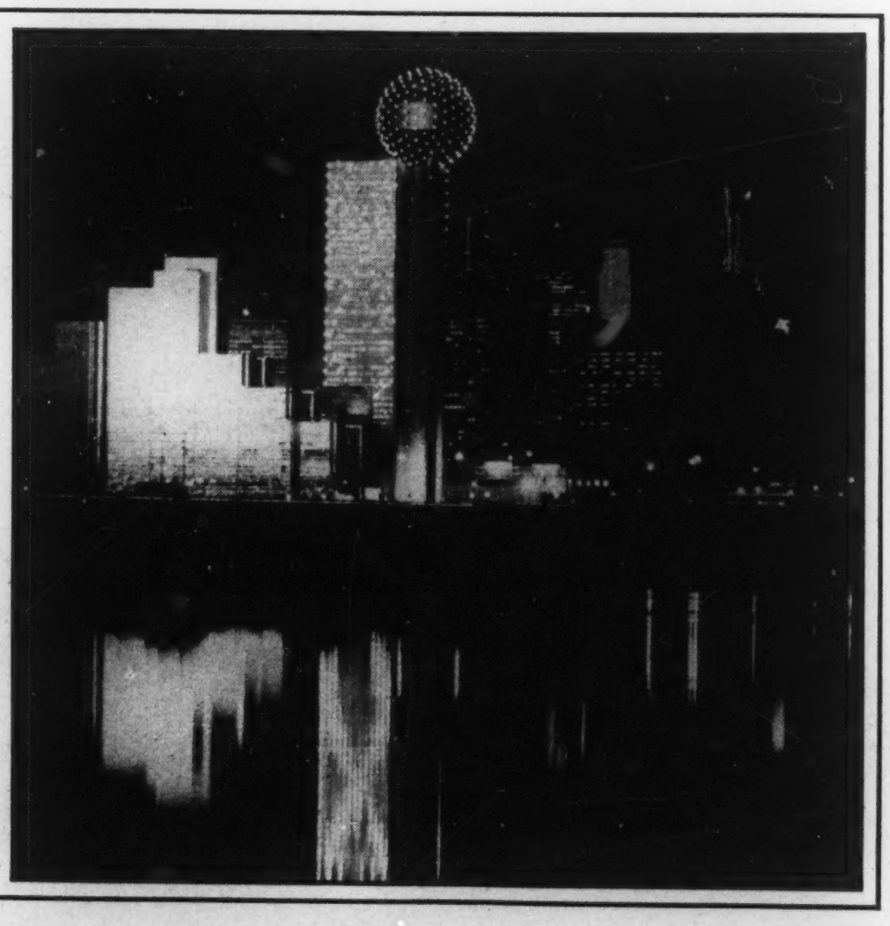
annual report

Top Metropolitan Markets for 1986
(estimates in $ millions)

RANK (1985 Rank)	1986 Retail Bldg. Bldg. Mat'l. Sales	*Stores	1986 Total Retail Sales Rank
1 (1) L. A.-Long Beach, Calif.	$1,870.5	1,223	1
2 (2) Chicago, Ill.	1,339.6	1,109	3
3 (4) Houston, Tex.	1,165.7	685	8
4 (7) Philadelphia, Pa.	1,121.9	1,014	4
5 (14) New York, N.Y.	1,120.7	1,258	2
6 (13) Atlanta, Ga.	1,040.0	546	11
7 (5) Detroit, Mich.	970.5	886	6
8 (12) Nassau-Suffolk, N.Y.	964.2	754	9
9 (3) Minneapolis-St. Paul, Minn.-Wis.	926.5	608	12
10 (6) Boston, Mass.	924.4	623	7
11 (11) Washington, D.C.-Md.-Va.	876.2	521	5
12 (20) Dallas, Tex.	829.2	492	10
13 (3) Anaheim-Santa Ana, Calif.	792.1	399	13
14 (9) Riverside-San Bernardino, Calif.	690.1	465	22
15 (19) Phoenix, Ariz.	674.1	327	17
16 (18) Denver, Colo.	655.9	33	18
17 (17) Tampa-St. Petersburg, Clearwater, Fla.	645.6	522	16
18 (15) Seattle, Wash.	643.7	432	18
19 (21) St. Louis, Mo. -Ill.	607.0	413	24
20 (28) Baltimore, Md.	589.1	452	14
21 (10) San Diego, Calif.	588.5	372	15
22 (17) Oakland, Calif.	570.2	384	17
23 (29) Fort Worth-Arlington, Tex.	485.8	267	26
24 (34) Oklahoma City, Okla.	482.3	267	33
25 (23) Pittsburgh, Pa.	468.6	530	20
26 (16) San Jose, Calif.	465.8	256	23
27 (22) Sacramento, Calif.	459.2	326	28
28 (31) Newark, N.J.	447.4	383	21
29 (33) Kansas City, Mo.-Ill.	441.0	396	24
30 (32) San Francisco, Calif.	429.9	311	19
31 (49) Austin, Tex.	423.0	152	39
32 (new) San Antonio, Tex.	416.7	147	31
33 (47) Miami-Hialeah, Fla.	415.0	381	18
34 (42) Orlando, Fla.	402.8	229	33
35 (30) Cleveland, Ohio	380.3	370	22
36 (36) Charlotte, N.C.	379.5	295	34
37 (new) Monmouth-Ocean, N.J.	379.1	219	31
38 (25) Indianapolis, Ind.	366.7	283	30
39 (new) Bergen Passaic, N.J.	364.6	299	26
40 (45) New Orleans, La.	355.1	286	28
41 (37) Cincinnati, Ohio—Ky.-Ind.	353.6	339	27
42 (44) Norfolk, Virginia Beach, Newport News, Va.	352.1	213	33
43 (41) Fort Lauderdale-Hollywood, Fla.	346.6	274	24
44 (35) Salt Lake City, Utah	333.4	203	37
45 (39) Columbus, Ohio	324.6	285	29
46 (46) Milwaukee, Wis.	320.2	351	28
47 (new) Anchorage, Alaska	303.8	51	40
48 (40) Greensboro-Winston-Salem, N.C.	299.9	263	36
49 (new) Louisville, Ky.	295.8	253	35
50 (26) Portland, Ore.	279.7	290	32
51 (new) Hartford, Conn.	258.8	209	39
52 (new) Rochester, N.Y.	250.4	249	38

*Stores include lumber and building material dealers; glass, wallpaper, paint stores; hardware outlets; garden supply stores; and mobile home dealers.
Source: *Editor and Publisher* and 1982 Census of Retail Trade

Dallas is expected to post remarkable sales in building materials in 1986. It is projected that the city will jump from 20th position in top metro markets to 12th with retail building material sales in excess of $820 million.



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Oil woes don't bother Texas lumbermen

(Continued from page 16)

the housing glut.

"And even in Houston, merchants have been able to survive by adjusting their overhead," Nunn said. "They might not be making a lot of money, but they aren't losing any either."

The story seemed similar in neighboring oil economy states. Ed Smith, president of Smith Building Center in Siatook, Okla., and a former president of the Oklahoma Lumbermen's Association, said his company was suffering a 30% to 40% sales decline since the oil recession hit Oklahoma crude. But like dealers in Texas and his home state, Smith said the company is concentrating on new breed of customers during the downturn.

"My market is a resort area where wildcatters owned second homes around Smith Grand Lake," Smith said. "These were the guys who really spent the money and made the economy go.

"Now that they are going belly up, we're looking at that remodeling market right now and that has been our saviour."

Joe Butler, Sr., who transferred his Lumbermen of Texas executive vp mantle to his son, Joe Butler, Jr., thus ending a 20-year career with the LAT, at times seemed dumbfounded by observers who came to the San Antonio show expecting to find lumber dealers on the brink of despair.

The numbers Butler Sr. produced did seem to rebut the prevailing image of Texas's state of health. He said manufacturers in the industry have been unperturbed by the premature obituary on Texas and literally had to fight each other to secure prized booth space at the convention.

He noted that for an organization that only has 780 members (the majority doing business in small towns), more than 7,000 badges of admission were printed—the largest number in the LAT's history—about half to exhibitors and allied industry suppliers.

"I doubt if we'll have this many booths again because it's just unfair to the vendors," Joe Sr. said. "I mean, we only have 780 members."

Another sign of the manufacturer's devotion to the Texas building material and lumber dealer and the potential for growth the state offers, was typified by the David Allison Co., a major hardware and home decor manufacturer based on Long Island, N.Y.

Steven Fridel, vp of the company, said the Texas lumbermen's show had always been a profitable venture for the firm to attend and promises to be more lucrative in the future.

"This is the largest booth we have ever had in the 20 years we've been attending this show," Fridel said. "And I think the fact that a top executive [himself] is here along with local sales staff show the high regard we have for this show and the home centers that are based here."

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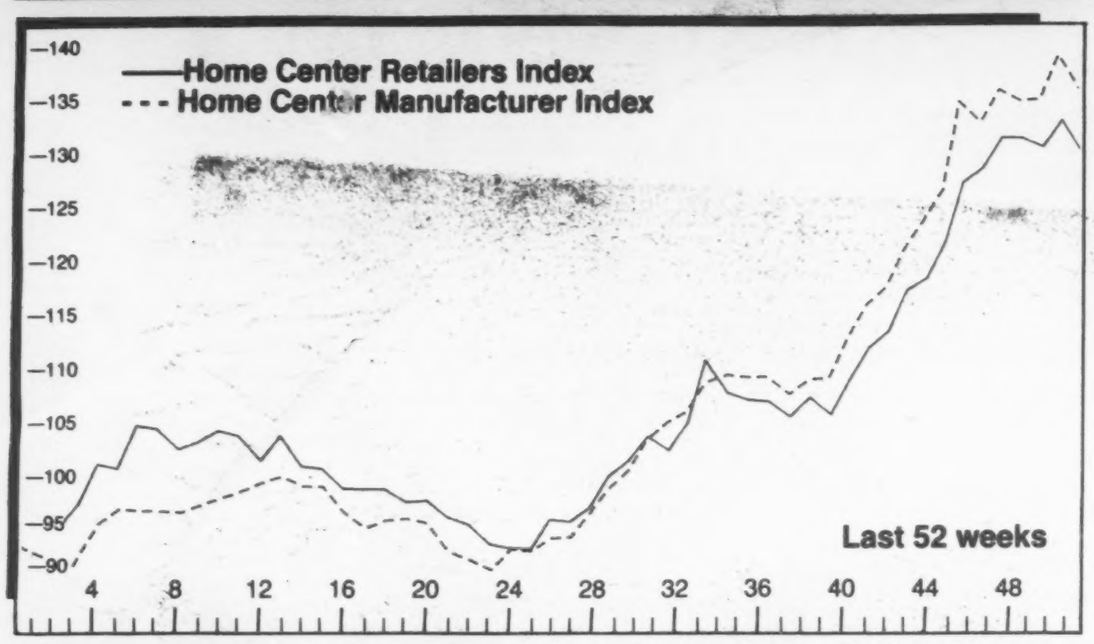
FINANCIAL NEWS

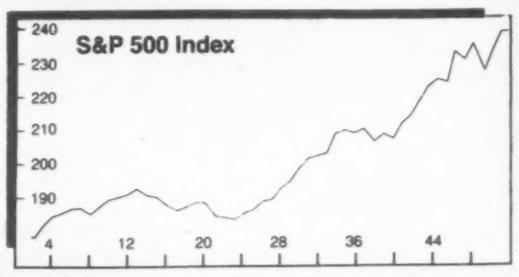


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Manville Cp ..... N	136,024	592.1	- 54.4
Emhart Corp ..... N	20,534	478.9	- 5.4
Wausau Ind ..... M	4,600	427.3	- 1.5
Black & Decker ..... M	88,372	272.9	- 8.3
Svc Merchandise ..... M	54,372	263.5	- 23.5
Grace W R ..... N	63,296	254.9	.0
Allegheny Int ..... N	13,779	249.0	2.2
Natl Hardgoods ..... M	251	245.8	3.7
Potlatch Cp ..... N	5,230	233.1	- 3.2
Homecrafters Whse ..... M	1,908	232.0	- 42.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Company & Market	2-Weeks Ended 5-02-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Natl Lumber ..... M	5.50	15.8	1,356
Mich General ..... A	4.38	6.1	1,587
Wolohan Lumber ..... M	9.25	5.7	3,864
Natl Hardgoods ..... M	7.00	3.7	251
Handyman ..... A	29.50	2.2	577
Allegheny Int ..... N	23.50	2.2	13,779
Newell Co ..... N	31.63	1.6	2,678
Hechinger A ..... M	26.50	1.0	3,191
Insilco Corp ..... N	23.00	.5	5,834
DeSoto Inc ..... N	39.88	.0	719
Losers	$	%	(100)
Manville Cp ..... N	3.25	- 54.4	136,024
Homecrafters Whse ..... M	1.00	- 42.9	1,908
Svc Merchandise ..... M	11.38	- 23.5	54,372
Walter, Jim ..... N	42.13	- 11.5	7,021
Clopay Corp ..... A	17.00	- 10.5	94
Sears, Roebuck ..... N	43.13	- 10.2	104,274
Pope & Talbot ..... N	18.88	- 10.1	1,197
Wickes Cos ..... A	5.63	- 10.0	118,465
Lowe's Cos ..... N	36.50	- 9.3	11,023
Mor-Flo Inds ..... M	16.00	- 9.2	203

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 5-02-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Color Tile ..... M	22.63	- .13	- .5	22.75	21.75	23.50	15.25	3,073	3.25	3.45	- 5.8	15.1	.00	.0	NEW	9 mos.	03-86
Erb Lumber ..... M	61.50	- 3.50	- 5.4	65.00	61.50	66.50	20.75	25	.28	.68	- 58.8	8.9	.00	.0	.....	fiscal	12-85
Forest City Ent ..... A	29.63	- .13	- .4	30.25	29.50	30.25	20.63	387	.96	.34	182.4	31.5	.30	1.0	.....	fiscal	01-86
Grace W R ..... N	53.75	.00	.0	58.25	53.50	58.25	35.50	63,296	11.64	3.28	254.9	26.6	2.80	5.2	NEW	3 mos.	03-86
Handyman ..... A	29.50	.63	2.2	30.00	28.75	30.00	21.75	577	2.24	.71	215.5	NA	.15	.5	.....		12-85
Hechinger A ..... M	26.50	.25	1.0	26.75	26.50	27.00	16.00	3,191	3.65	3.13	16.6	NA	.16	.6	.....		00-00
Hechinger B ..... M	26.50	.00	.0	26.75	26.25	27.00	16.00	1,896	1.41	.65	116.9	27.3	.08	.3	.....	fiscal	01-86
Homecrafters Whse ..... M	1.00	- .75	- 42.9	1.88	1.00	8.75	1.00	1,908	6.74	2.03	232.0	NE	.00	.0	.....	9 mos.	10-85
Home Depot ..... N	16.50	- 1.38	- 7.7	18.25	15.75	20.38	10.50	11,015	4.39	2.94	49.3	50.0	.00	.0	.....	fiscal	01-86
INTERCO Inc ..... N	79.00	- .25	- .3	80.00	78.25	80.00	62.75	4,130	2.90	1.23	135.8	13.5	3.08	3.9	.....	fiscal	02-86
K mart Cp ..... N	45.75	- 2.25	- 4.7	49.88	44.63	49.88	30.63	58,969	4.69	3.30	42.1	26.4	1.48	3.2	.....	fiscal	01-86
Lowe's Cos ..... N	36.50	- 3.75	- 9.3	40.25	36.00	41.38	20.75	11,023	2.97	2.11	40.8	22.3	.40	1.1	.....	fiscal	01-86
Mich General ..... A	4.38	.25	6.1	4.63	4.13	6.75	3.25	1,587	1.40	1.36	2.9	NE	.00	.0	.....	fiscal	12-85
Natl Hardgoods ..... M	7.00	.25	3.7	7.25	6.25	9.00	5.50	251	2.04	.59	245.8	17.5	.00	.0	NEW	fiscal	01-86
Natl Lumber ..... M	5.50	.75	15.8	5.75	4.63	7.25	4.00	1,356	2.41	.76	217.1	NE	.00	.0	NEW	*	01-86
Pay N Pak ..... N	15.50	- .63	- 3.9	17.00	15.13	17.00	11.63	3,547	3.55	1.73	105.2	18.9	.64	4.1	.....	fiscal	02-86
Payless Cash ..... N	24.00	- 2.13	- 8.1	27.50	23.00	27.50	13.50	14,810	4.27	3.28	30.2	21.1	.16	.7	.....	3 mos.	02-86
Scotty's Inc ..... N	16.63	- .38	- 2.2	17.50	16.13	17.63	12.38	2,589	1.79	1.05	70.5	15.7	.52	3.1	.....	9 mos.	03-86
Sears, Roebuck ..... N	43.13	- 4.88	- 10.2	47.75	42.75	50.38	31.75	104,274	2.87	1.23	133.3	12.5	1.76	4.1	NEW	3 mos.	03-86
Svc Merchandise ..... M	11.38	- 3.50	- 23.5	14.75	11.00	16.13	11.25	54,372	16.32	4.49	263.5	NE	.08	.7	NEW	3 mos.	03-86
Std Brd Pnt ..... N	21.75	- 1.50	- 6.5	23.25	21.00	24.75	18.75	4,307	3.81	1.74	119.0	15.5	.56	2.6	.....	fiscal	01-86
Supermkts Gen ..... N	54.63	- 1.38	- 2.5	57.50	53.50	59.38	38.75	6,719	3.74	1.31	185.5	15.3	.48	.9	.....	fiscal	01-86
Wickes Cos ..... A	5.63	- .63	- 10.0	6.25	5.38	7.00	3.56	118,465	12.05	7.70	56.5	NA	.00	.0	.....		01-86
Wolohan Lumber ..... M	9.25	.50	5.7	9.88	9.13	9.88	5.25	3,864	6.60	2.33	183.3	15.4	.16	1.7	.....	fiscal	12-85
Zayre Corp ..... N	72.63	- 4.63	- 6.0	80.00	71.75	80.00	44.81	12,193	4.16	1.90	118.9	22.5	.64	.9	.....	fiscal	01-86
Wholesalers																	
Lewis Palmer ..... M	9.13	- .25	- 2.7	9.25	9.00	9.88	6.38	731	1.87	1.76	6.3	39.7	.28b	3.1	NEW	fiscal	01-86
Manufacturers																	
Allegheny Int ..... N	23.50	.50	2.2	23.88	21.00	28.75	16.50	13,779	12.81	3.67	249.0	NE	.00	.0	NEW	3 mos.	03-86
Am Standard ..... N	41.75	- 1.13	- 2.6	44.00	41.25	46.88	26.75	10,968	2.79	1.41	97.9	13.5	1.60	3.8	.....	fiscal	12-85
Armstrng Wrld ..... N	62.50	- .88	- 1.4	66.50	60.50	66.50	31.88	7,024	2.93	2.07	41.5	14.2	1.44	2.3	NEW	3 mos.	03-86
Black & Decker ..... N	20.63	- 1.88	- 8.3	25.25	20.50	25.25	17.25	88,372	15.29	4.10	272.9	42.1	.64	3.1	NEW	6 mos.	03-86
Boise Cascade ..... N	55.25	- 1.75	- 3.1	57.63	54.50	59.88	38.63	6,607	2.44	2.37	3.0	17.5	1.90	3.4	NEW	3 mos.	03-86
Certain-teed ..... N	34.50	- 1.88	- 5.2	36.88	34.25	37.13	22.38	4,012	2.11	1.63	29.4	12.0	.90	2.6	.....	3 mos.	03-86
Champ Intl ..... N	26.13	- .75	- 2.8	27.63	25.75	29.75	20.25	26,663	2.87	1.89	51.9	19.2	.52	2.0	NEW	3 mos.	03-86
Clopay Corp ..... A	17.00	- 2.00	- 10.5	19.13	17.00	22.00	11.25	94	.61	.81	- 24.7	NE	.16	.9	.....	fiscal	12-85
DeSoto Inc ..... N	39.88	.00	.0	40.50	39.88	41.00	31.50	719	1.50	.59	154.2	12.0	1.40	3.5	.....	3 mos.	03-86
Emhart Corp ..... N	36.88	- 2.13	- 5.4	38.88	36.50	42.63	26.25	20,534	7.41	1.28	478.9	12.1	1.40	3.8	NEW	3 mos.	03-86
Georgia-Pacific ..... N	30.00	- 2.63	- 8.0	32.88	29.75	33.75	20.50	27,124	2.63	1.89	39.2	22.1	.80	2.7	NEW	3 mos.	03-86
Insilco Corp ..... N	23.00	.13	.5	24.00	22.38	24.50	16.63	5,834	2.97	1.37	116.8	16.7	1.00b	4.3	NEW	3 mos.	03-86
La Pacific ..... N	25.38	- 2.50	- 9.0	28.13	24.75	30.13	17.13	11,306	3.09	1.70	81.8	36.8	.80b	3.2	NEW	3 mos.	03-86
MacMlln Bldel ..... N	23.38	- .38	- 1.6	24.00	21.50	24.00	12.47	838	.27	.10	170.0	43.3	.00a	.0	.....	fiscal	12-85
Manville Cp ..... N	3.25	- 3.88	- 54.4	7.38	2.50	8.88	2.50	136,024	56.68	8.19	592.1	NE	.00	.0	NEW	3 mos.	03-86
Masco Corp ..... N	54.13	- 4.50	- 7.7	59.25	53.75	60.50	29.75	9,702	1.51	1.13	33.6	20.4	.64	1.2	NEW	3 mos.	03-86
Mor-Flo Inds ..... M	16.00	- 1.63	- 9.2	17.88	16.00	19.75	14.50	203	.80	.67	19.4	9.7	.01	.1	NEW	fiscal	12-85
Natl Gypsum ..... N	68.50	.00	.0	69.88	67.38	69.88	26.84	46,458	20.35	8.62	136.1	13.6	1.52	2.2	.....	fiscal	12-85
Newell Co ..... N	31.63	.50	1.6	33.13	31.00	33.13	15.13	2,678	2.69	1.73	55.5	14.5	.70	2.2	NEW	3 mos.	03-86
Owens Corning ..... N	52.25	- 2.00	- 3.7	55.00	51.50	56.75	30.75	9,821	3.30	2.86	15.4	12.3	1.40	2.7	.....	3 mos.	03-86
Ply-Gem ..... A	13.88	- .63	- 4.3	14.63	13.88	15.50	9.09	3,358	4.57	2.59	76.4	19.3	.12	.9	NEW	3 mos.	03-86
Pope & Talbot ..... N	18.88	- 2.13	- 10.1	21.63	18.75	24.75	16.75	1,197	2.00	1.27	57.5	29.0	.80	4.2	NEW	3 mos.	03-86
Potlatch Cp ..... N	45.00	- 1.50	- 3.2	47.63	44.50	47.63	32.25	5,230	4.03	1.21	233.1	18.2	1.56	3.5	.....	3 mos.	03-86
Sherwin-Wms ..... N	28.38	- 2.38	- 7.7	31.38	27.88	32.25	16.63	8,418	1.83	.95	92.6	17.3	.50	1.8	.....	3 mos.	03-86
SW Forest Ind ..... N	12.75	- 1.13	- 8.1	14.00	12.38	15.88	9.88	3,157	3.40	1.96	73.5	NE	.00	.0	.....	fiscal	12-85
Stanley Works ..... N	44.50	- .50	- 1.1	45.88	44.25	46.25	27.63	3,980	1.43	.95	50.5	15.6	1.04	2.3	NEW	3 mos.	03-86
Thos Inds ..... N	22.00	- 1.25	- 5.4	23.88	21.88	26.75	14.41	722	.81	.51	58.8	12.0	.68b	3.1	NEW	3 mos.	03-86
USG Corp ..... N	69.75	- 4.25	- 5.7	75.00	68.00	75.00	34.00	6,947	2.14	1.58	35.4	9.9	1.92	2.8	NEW	3 mos.	03-86
Walter, Jim ..... N	42.13	- 5.50	- 11.5	47.63	41.88	48.00	25.41	7,021	2.65	2.34	13.2	10.6	1.40	3.3	.....	6 mos.	02-86
Wausau Ind ..... M	16.25	- .25	- 1.5	17.13	16.25	17.13	10.00	4,600	14.66	2.78	427.3	20.1	.08	.5	NEW	9 mos.	03-86
Weyerhaeuser ..... N	36.25	- 1.75	- 4.6	38.13	36.00	40.25	24.75	23,871	1.84	1.23	49.6	26.1	1.30	3.6	NEW	3 mos.	03-86

Company and Market	Financial Update: Latest Quarter: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.
-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Color Tile ..... M	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber ..... M	47.9	33.8	1.8	125.0	2.01	105.1	190.2	29.0	6.1	110.3	6.88	110.4
Forest City Ent ..... A	81.0	7.6	3.8	322.2	.49	444.4	281.0	6.2	7.4	89.7	.94	91.8
Grace W R ..... N	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0
Handyman ..... A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	116.8	14.1	6.6	8.2	.27	.0	479.0	18.2	23.1	10.5	.97	5.4
Homecrafters Whse ..... M	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot ..... N	203.7	73.5	2.6	- 27.8	.11	- 21.4	700.7	61.9	8.2	- 41.8	.33	- 41.1
INTERCO Inc ..... N	583.0	.4	30.9	NC	1.95	54.8	2510.7	- 4.4	92.3	27.8	5.84	31.2
K mart Cp ..... N	6752.2	- 1.8	10.5	- 94.9	.09	- 94.3	22420.0	6.3	221.2	- 55.7	1.73	- 54.9
Lowe's Cos ..... N	475.6	26.5	11.3	7.6	.31	6.9	2072.6	22.7	59.7	- 2.8	1.64	- 3.5
Mich General ..... A	103.6	- 1.4	(11.4)	- 100.0	(1.01)	- 100.0	439.0	- 2.3	(34.6)	- 100.0	(3.06)	- 100.0
Natl Hardgoods ..... M	9.0	- 7.2	.1	- 66.7	.06	- 68.0	33.5	3.4	.5	- 28.6	.40	- 33.3
Natl Lumber ..... M	NC	NC	NC	NC	NC	NC	136.4	NC	(.2)	NC	(.03)	NC
Pay N Pak ..... N	74.6	21.3	1.3	8.3	.13	8.3	333.8	9.4	8.2	- 18.8	.82	- 18.8
Payless Cash ..... N	274.5	7.7	2.4	50.0	.07	40.0	274.5	7.7	2.4	50.0	.07	40.0
Scotty's Inc ..... N	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise ..... M	457.1	31.7	(29.2)	NE	(.88)	NE	457.1	31.7	(29.2)	NE	(.88)	NE
Std Brd Pnt ..... N	71.6	1.3	1.6	- 64.4	.14	- 65.0	338.0	7.3	15.8	- 24.0	1.40	- 25.1
Supermkts Gen ..... N	1356.3	1.5	21.6	- 2.3	1.21	- 3.2	5122.6	17.9	63.7	21.6	3.56	20.7
Wickes Cos ..... A	NC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber ..... M	37.4	3.3	1.3	62.5	.22	57.1	150.7	8.3	3.5	34.6	.60	33.3
Zayre Corp ..... N	1499.0	47.1	37.9	9.2	1.14	- 11.6	4036.0	29.2	94.6	17.8	3.23	8.0
Wholesalers												
Lewis Palmer ..... M	30.4	- 1.0	.1	NE	.01	NE	140.8	- 2.5	.9	- 18.2	.23	- 23.3
Manufacturers												
Allegheny Int ..... N	467.2	- 7.9	11.9	133.3	.41	NE	467.2	- 7.9	11.9	133.3	.41	NE
Am Standard ..... N	774.3	- 10.2	36.3	17.9	.92	17.9	2912.4	- 9.4	122.1	6.3	3.10	1.0
Armstrng Wrld ..... N	430.9	14.4	22.9	27.9	.95	26.7	430.9	14.4	22.9	27.9	.95	26.7
Black & Decker ..... N	415.1	3.0	1.6	- 89.2	.02	- 93.1	936.8	3.4	22.5	- 48.6	.43	- 50.0
Boise Cascade ..... N	916.6	- 4.3	25.0	- 24.9	.83	- 25.9	916.6	- 4.3	25.0	- 24.9	.83	- 25.9
Certain-teed ..... N	255.0	.8	10.5	28.0	.56	36.6	255.0	.8	10.5	28.0	.56	36.6
Champ Intl ..... N	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5
Clopay Corp ..... A	35.5	- 2.5	(.2)	- 100.0	(.14)	- 100.0	139.2	3.9	(1.9)	- 100.0	(1.24)	- 100.0
DeSoto Inc ..... N	96.8	4.1	2.4	200.0	.51	200.0	96.8	4.1	2.4	200.0	.51	200.0
Emhart Corp ..... N	509.6	21.4	18.0	27.7	.65	27.5	509.6	21.4	18.0	27.7	.65	27.5
Georgia-Pacific ..... N	1604.0	1.5	30.0	- 38.8	.25	- 41.9	1604.0	1.5	30.0	- 38.8	.25	- 41.9
Insilco Corp ..... N	180.3	- 8.6	6.8	13.3	.34	3.0	180.3	- 8.6	6.8	13.3	.34	3.0
La Pacific ..... N	322.6	19.0	1.4	- 41.7	.04	- 42.9	322.6	19.0	1.4	- 41.7	.04	- 42.9
MacMlln Bldel ..... N	601.7	4.0	20.4	- 15.0	.44	- 21.4	2335.4	9.8	42.9	122.3	.54	NE
Manville Cp ..... N	455.5	5.1	12.0	- 1.6	.24	- 4.0	455.5	5.1	12.0	- 1.6	.24	- 4.0
Masco Corp ..... N	308.0	34.5	45.1	27.0	.70	14.8	308.0	34.5	45.1	27.0	.70	14.8
Mor-Flo Inds ..... M	52.8	- .8	.5	- 72.2	.20	- 70.1	205.8	2.7	4.2	- 36.4	1.65	- 36.3
Natl Gypsum ..... N	62.6	- 85.4	19.5	- 22.6	.86	- 20.4	1340.0	- 22.0	116.1	8.7	5.02	9.6
Newell Co ..... N	94.5	18.9	4.1	28.1	.44	25.7	94.5	18.9	4.1	28.1	.44	25.7
Owens Corning ..... N	866.1	27.7	22.9	- 18.2	.77	- 18.9	866.1	27.7	22.9	- 18.2	.77	- 18.9
Ply-Gem ..... A	50.6	24.3	2.0	81.8	.26	30.0	50.6	24.3	2.0	81.8	.26	30.0
Pope & Talbot ..... N	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0
Potlatch Cp ..... N	233.3	- .6	13.6	18.3	.95	41.8	233.3	- .6	13.6	18.3	.95	41.8
Sherwin-Wms ..... N	502.7	2.2	6.9	21.1	.15	15.4	502.7	2.2	6.9	21.1	.15	15.4
SW Forest Ind ..... N	169.2	- 10.9	(5.0)	- 100.0	(.42)	NE	700.1	- 9.9	(12.3)	- 100.0	(1.67)	- 100.0
Stanley Works ..... N	324.2	17.1	14.7	5.0	.53	1.9	324.2	17.1	14.7	5.0	.53	1.9
Thos Inds ..... N	70.8	- 4.2	3.2	.0	.36	5.9	70.8	- 4.2	3.2	.0	.36	5.9
USG Corp ..... N	622.1	5.7	51.7	21.6	1.62	26.6	622.1	5.7	51.7	21.6	1.62	26.6
Walter, Jim ..... N	517.0	- 1.8	18.3	22.0	.26	- 52.7	1079.1	- .5	50.0	18.8	1.42	- 7.8
Wausau Ind ..... M	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser ..... N	1306.7	2.4	50.0	30.9	.31	29.2	1306.7	2.4	50.0	30.9	.31	29.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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Kossar to gain remaining Grace home centers

Letter of intent shuts out Geneen group

By Milford Prewitt
NHCN staff editor

NEW YORK — Bernard Kossar, senior vp of marketing for W.R. Grace, has signed a letter of intent to buy the company's remaining home center network in a move that apparently kills the attempt by Harold Geneen and his two financier partners to buy the home improvement stores, sources reported.

Several sources who asked to remain unnamed confirmed that Kossar has ostensibly acquired the financial backing to buy Grace's Central Region and Channel home centers.

Kossar would acquire a sprawling 199-unit empire that stretches along the Eastern Seaboard and includes Texas as well as several southern states. Along with Channel, other chains include Handy Dan, Handy City and Home Quarters Warehouse.

"At this point in time, it's safe to say that he's going to get everything Wickes' didn't," one close observer of the negotiations said.

Wickes Cos. signed an agreement with Grace on May 5 to purchase the conglomerate's 108 Western home centers for $180 million.

How much Kossar will pay for the remaining Grace home centers and the nature of his financing remain unknown.

Grace officials declined to comment on the status of negotiations involving the rest of the retail group, which consists of 376 specialty stores

(Continued on page 62)

Home center operators hail Senate tax plan

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Citing the promise of substantially lower corporate income tax rates, many home center operators hailed the simplified tax plan proposed last month by the Senate Finance Committee.

News Analysis

"The effective tax rate for retailers in the home center business is going to drop," said Doug Southern, vp of finance for Pay 'N Pak, the $333 million home center chain based in Kent, Wash.

(Continued on page 61)

New Grossman's accents fashion displays

By John Caulfield
NHCN staff editor

BRIGHTON, N.Y. — Grossman's has opened a new prototype store here outside of Rochester, N.Y., that is unlike any store it operates, and represents an attempt by the Braintree, Mass.-based chain to position itself on a par with the leading retailers in the home improvement business in terms of merchandising presentation.

The unit accentuates Grossman's new emphasis on fashion to complement its traditional strengths in commodities, by setting up a series of stylish "specialty" home improvement departments throughout the store. In addition, Grossman's is shifting away from engaging in the price wars being waged throughout the industry, and this new format will

(Continued on page 62)

Grossman's new prototype, unveiled last month in Rochester, N.Y., emphasizes fashion in an open store plan that uses warehouse racking selectively. NHCN photo

Coast to Coast taken private for $50 million

By an NHCN staff editor

MINNETONKA, Minn. — Coast to Coast, the industry's largest franchised wholesaler, has been taken private by a group of institutional and individual investors for a price estimated by trade sources to be $50 million.

Ralph Dillon

The company—with 1,023 dealer franchises and 1985 sales that were restated last month by company officials at $330 million—was purchased from HMI Holdings, formerly Household Merchandising, which itself had been purchased recently from Household International.

Drexel Burnham Lambert, the New York-based investment firm, will own 10% of the company, and is expected to

(Continued on page 61)

B and B debuts third generation, 60,000-ft. warehouse prototype

By Gary S. Ruderman
NHCN staff editor

ST. LOUIS — The third generation of B and B Home Supply stores debuted in suburban Arnold, Mo., last month, 20 miles south of St. Louis.

The 60,000-sq.-ft. prototype warehouse features a broader selection and higher-end price points, especially in plumbing. Also, for the first time B and B is dedicating space chainwide to lawn and garden by eliminating roll carpeting in all but one store.

Eclipse Industries, B and B's parent, plans to open a second, 60,000-sq.-ft. warehouse this year in the St. Louis market.

Although he would not elaborate futher about near-term expansion plans, Eclipse president Steve Feinstein said, "I'd say in the

(Continued on page 61)

Steve Feinstein (right), president of B and B Home Supply, with merchandising vp Bruce Feinstein, his son, at the grand opening of the company's new prototype. NHCN photo

INSIDE

Perspectives: Dealers are striking back against increasingly brazen shoplifters and dishonest employees with a variety of new security measurers. **21**

Merchandising: High-end bath merchandising extends into home center accessory lines. **41**

Ad & Marketing: Stanley Works helps "Build a Dream" with new playground program. **49**

Starting this issue: To make room for expanded news coverage, "Business Watch," has moved from page 4 to 12. Financial news appears in the back of the issue.

NEWSBREAKS

McCORMICK UPPER FLOOR A 'GO': National Hardware Show organizers have declared the upper floor of the McCormick Place expansion will be ready in time for exhibitors at the August show. Back-up air-conditioning and electrical feeds have been secured in the "unlikely event" they're needed.

NEW WESTLAKE UNITS: Westlake Hardware will have 35 stores when it opens an 18,000-sq.-ft. store in Bethany, Okla., and a 25,000-sq.-ft. store in Lee's Summit, Mo., this summer.

INDUSTRY UPDATE

Evans creditors vote on plans

MIAMI BEACH — Two plans for reorganizing Evans Products Company have been submitted separately by the company and their bank lenders to Evans' creditor groups for a vote.

Vendors, suppliers, equity holders and other creditors will vote on which plan they prefer. The balloting time concludes on June 10, and there is a tentative June 20 confirmation hearing on this voting scheduled in U.S. Bankruptcy Court in Miami, on June 20.

Sutherland hires EDP manager

KANSAS CITY, Mo. — Sutherland Lumber Company, the 85-unit chain based here, has hired a new data processing manager and is developing a new computer system. Some 15 to 20 stores are currently going up on perpertual inventory.

According to Bill Bryan, the new EDP manager, the company is in the process of rolling out the new system. Craig Sutherland, an executive with the company, confirmed that a new system is being developed for the chain's stores, but declined to comment further.

Builders Sq. adds 2 in Chicago

CHICAGO — Builders Square added two 80,000 sq. ft. stores here last month in Homewood and Melrose Park, south and western suburbs, respectively.The opening of a store in nearby Bloomingdale is being delayed because of zoning problems. Builder Square currently has seven stores in the Chicago market.

The company has tentatively set a fall grand opening for its first warehouse unit in Portland, Ore.—a retrofit of an exisiting K mart outlet—and plans to open a build-to-suit in the Portland market next year. At the end of May the company operated 43 stores.

Stambaugh to renovate units

ZANESVILLE, Ohio — Stambaugh-Thompson held a grand reopening last month for the renovation of its largest store to date, a 45,000-sq.-ft. unit in this town 40 miles east of Columbus, Ohio. The company said the renovation of its stores, intended to increase their sales volume substantially, was about a third completed. The project is a two-year-long effort by the $61 million company to upgrade all 20 of its stores. (*NHCN*, Nov. 5, 1984.) The renovation was accomplished while the store remained open. Departments either enlarged or modernized in the retrofit included kitchen and bath, nursery, and lighting.

Mr. Goodbuys goes to Wash.

PHILADELPHIA — Mr. Goodbuys is going to Washington. The nine-unit chain is currently negotiating for four sites in the Washington D.C. market, two in Virginia and two in Maryland. The sites, a combination of build-to-suit and second-use locations, will be the first of seven Mr. Goodbuys stores slated for Washington D.C. by 1988 according to Stephen Erlbaum, chairman.

Mr. Goodbuys currently operates units in Philadelphia, Baltimore and northern New Jersey, and has secured five sites in Long Island, N.Y. The chain hopes to expand to 20 stores in these markets by 1987, with 30 projected by 1988, which would include sites further west including the Pittsburgh market.

Retailers outperform mfgs.

NEW YORK — Home center retail stocks outperformed manufacturers' issues during the two-weeks end ed May 16. Of the 56 public companies tracked in *NHCN's* Market Summary, 30 recorded price gains while 23 showed declines.

The winners had a decidedly "National" flavor, as California's National Lumber, with an 18.2% price rise, and New England's National Hardgoods, a 14.3% gain, led the retailers.

Building material suppliers led the losers: Manville and Champion were down 7.7%; Weyerhaeuser, off 6.9%; S.W. Forest, down 5.9%; O-C off 5.5%, and G-P down 5.4%.

See financial tables, page 60

30 Gainers

Unchanged 7

Losers 23

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Ace Hardware dealers allowed to select aspects of Store of the Future program

By Donald Longo
NHCN staff editor

DALLAS — In the midst of what company officials hailed as the single most successful show in the history of the $1 billion buying cooperative, Ace Hardware Corporation unveiled a new modular approach to its highly successful Store of the Future program that enables its dealers to adopt parts of the program rather than the complete design package.

Ace's Spring Convention here last month was described by both dealers and vendors as the biggest and busiest show conducted by the 61-year-old company, which also announced enhancements to several existing merchandising and support programs, including:

- A deeper committment to lumber and building materials;
- Expansion of the co-op's paint manufacturing program;
- A new effort to help dealers take advantage of opportunities to sell commercial customers;
- Extension of imports and private label (which registered a 17% increase in sales last year) product offerings; and,
- Further strengthening its dealers' competitive position with services like the Ace private label credit card, participation in Sears' Discover card program, and the Ace Videogram training system.

The optimism of most dealers, who helped Ace break the billion dollar sales barrier in 1986, was reflected in the comments of Bill Gibbs, vp at Bryan's Ace Hardware with stores in Keystone and Starke, Fla. "Business has been tremendous, especially lawn and garden sales," said Gibbs, whose experience was echoed by many of the Ace dealers at the May 16 to 18 convention.

According to Dave Hodnik, finance vp, Ace's 8.9% increase in sales to dealers compared favorably to the 2.2% increase in the Gross National Product, the 4% increase recorded by the entire hardware industry and the 3% increase registered by Ace's closest competitor—Cotter & Co., the Chicago co-op which still leads all buying groups with $1.7 billion in 1986 sales.

Hodnik said that even though sales through April of this year are only up 3.3% due to a sluggish retail economy and poor weather, Ace is projected a 9.3% sales increase this year.

Speaking to dealers gathered at a breakfast meeting on May 17, Ace's chairman Ted Costoff quoted from a report conducted by the National Retail Hardware Association (NRHA) that indicated 90% of all hardware stores need to be modernized and reformatted.

Bill Loftus, vp for sales, marketing and sales development, said that the new format stores have been proven to generate much greater productivity, higher sales per square foot, more traffic and a better price/value image.

Sixty-four dealers have converted to Ace's Store of the Future over the program's first 18 months.

Most dealers interviewed by *NHCN* expressed glee over being able to pick and choose individual aspects of the program.

However, executives at the NRHA, which designed Ace's prototype, said they feel a dealer would have to implement the complete Store of the Future program in order to experience the full advantages of the program.

Ace president Larry Gavin told *NHCN* that programs like the Store of the Future will help the co-op add some 200 new members this year. That's an aggressive undertaking considering Ace's total of dealer stores increased by only 70 last year to a total of 4,710 units. But, Gavin noted that the 48 dealer prospects,

(Continued on page 57)

Ace's Spring Convention unveiled a new modular approach to its Store of the Future program that enables its dealers to select part of the program rather then the complete package. NHCN photo

Scotty's expansion program in phase 2

By an NHCN staff editor

NEW YORK — The second phase of Scotty's store expansion program calls for the construction of 17 new full-line home centers, including eight which will replace existing stores, the retrofitting of 10 other existing stores to Scotty's new format, plus the opening of as many as 15 new Scotty's Hardware units.

The plans, unveiled to securities analysts and institutional investors here and in Boston on May 14 and 15, will result in a net gain of nine new full-line home centers for a total of 50 new format stores, and the addition of 15 new hardware units for a total of 32 by the end of Scotty's next fiscal year in June 1987. The company previously announced goal was to have as many as 75 hardware outlets by 1990.

Dennis Stults, president of the Winter Haven, Fla.-based chain that operates all but one of its 128 stores in Florida, told analysts, "Our primary thrust will be in Florida but we have definite plans to expand beyond the state border" (*NHCN* Dec. 16, 1985).

Stults added that Scotty's has grown by about 13% in net new square footage this fiscal year, ending in June, and will probably exceed that 13% growth rate next year. His-

(Continued on page 62)

Cancer risk info to appear on paint stripper labels

By Gary E. Ruderman
NHCN staff editor

NATIONAL REPORT — Federal regulators, consumer groups and manufacturers agreed last month on new labeling advising consumers of the cancer risks of methylene chloride, a chemical often used in paint strippers.

Within the next year, consumers will see the large words "Cancer Information" on the back labels of paint stripper and aerosol cans containing the chemical. In addition, users will be warned the product "contains methylene chloride which has caused cancer in certain laboratory animals." A following paragraph warns that the "risk to your health depends on level and duration of exposure."

The voluntary label warnings follows three months of meetings by the Consumer Product Safety Commission's (CPSC) methylene chloride

(Continued on page 62)

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Introducing "Behind the Numbers" by Senior Editor Phillip M. Perry 59

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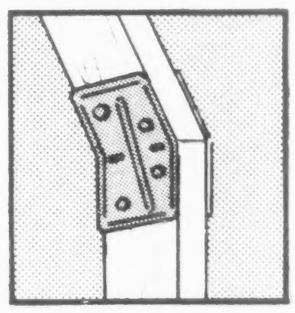

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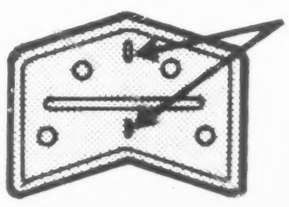

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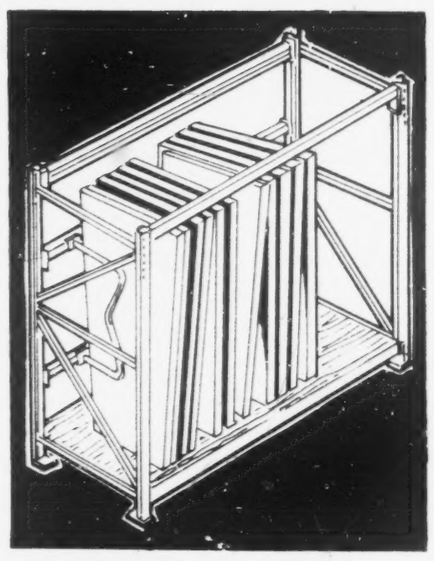

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Top manufacturer TV advertisers for 1985

Leading home center suppliers in TV ad expenditures (in millions)

	1985			1984			
Paint/Coverings	Network	TV spot	Total spot	Network	TV spot	Total spot	% change
Sears (retail)	$ 9.8	$1.2	$11.0	$ 4.7	$0.4	$ 5.1	+115.0
Standard Brands (retail)	—	6.9	6.9	—	4.3	4.3	+ 60.0
Glidden	1.9	3.2	5.1	2.4	3.1	5.6	− 8.0
Sherwin Williams (including Dutch Boy)	3.6	0.4	4.0	2.0	0.3	2.3	+ 77.0
Procter & Gamble (Formsbys, Thompson)	2.9	1.0	3.9	2.0	1.4	3.3	+ 16.0
Clorox (Lucite, Olympic)	3.0	0.8	3.4	3.3	2.2	5.5	− 39.0
Krylon	2.0	1.1	3.1	1.5	0.8	2.3	+ 38.0
PPG (Pittsburgh Paints)	1.8	0.6	2.3	2.5	0.9	3.4	− 32.0
Benjamin Moore (Sherwin Williams)	1.6	0.4	2.0	1.5	0.2	1.7	+ 15.0
Total			41.8			33.6	+ 24.3
Insulation, Roofing, Building Materials							
Owens Corning	12.2	0.3	12.5	13.7	0.7	14.4	− 13.0
Corian (DuPont)	3.3	0.3	3.6	—	2.4	2.4	+ 50.0
CertainTeed Insulation	1.7	0.3	2.0	2.0	0.3	2.3	− 16.0
3M Window	—	1.4	1.4	—	1.5	1.5	− 6.0
Total			19.5			20.7	− 5.7

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data

TV ad expenditures reported up 16.8% for home improvement manufacturers

By an NHCN staff editor

NATIONAL REPORT — Even though home center suppliers experienced slower sales growth and slimmer profits last year (see *NHCN*, May 19), total television advertising expenditures by 28 leading home improvement industry manufacturers were up 16.8% in 1985, to $97.2 million, according to a special compilation of data conducted by the Television Bureau of Advertising (TvB) or *National Home Center News*.

General Electric spent more money advertising its bulbs and lighting products on television last year than any other home improvement manufacturer, while Owens-Corning, second in overall expenditures, led home center industry suppliers in national network TV spending in 1985.

GE spent $13.2 million, an increase of 60% over the previous year's TV expenditure. Owens-Corning's total TV expenditure was $12.5 million—with $12.2 million of that total going into network TV rather than local spot advertising.

Other leading television advertisers were Black & Decker with $11.1 million, Sears' private label paint at nearly $11 million, and Wagner tools at $9.7 million.

A breakdown of the major television advertisers by product category reveals that paint/coatings makers, tool manufacturers and wiring-/lights suppliers, on average, invested more heavily in the video medium last year.

The nine leading paint/coatings advertisers raised their TV expenditures by 24.3% in 1985, according to the TvB data. Surprisingly, two retailers, pushing their private label product, topped the list of advertisers in this category.

Sears and Standard Brands together spent $17,892,100 on television advertising of paint last year, more than the combined spending of four major home center paint suppliers—Glidden, Sherwin-Williams, Proctor & Gamble (Formsbys, Thompson) and Clorox (Lucite, Olympic). Such figures suggest that Sears and Standard Brands present stiffer competition than many paint manufacturers might think.

The seven leading tool makers increased TV spending by nearly 43% last year. Black & Decker, despite a tough year profit-wise, raised its stake by 74%. Wagner, the second leading tool advertiser, was down 36%, but much of that decrease can be attributed to the previous year's push of the new power roller. Wagner was the total TV spending champ of 1984, mostly due to that new product rollout. Stanley showed why it has one of the best-known names in hand tools, with 1985 TV advertising hitting close to $4 million, more than half a million dollars ahead of Sears' spending on its tool promotions.

Major wiring/lights manufacturers were led by GE and Sylvania, which were up 60% and 73%, respectively.

Interestingly, the two categories of manufacturers that generally outperformed other vendors in earnings last year cut back on television ad expenditures.

TV spending by four leading insulation, roofing and building materials manufacturers slipped almost 6% in 1985. In contrast to decreases at Owens-Corning, CertainTeed and 3M, DuPont increased TV advertising for its Corian countertop product by 50% last year.

Masco, one of the fastest growing suppliers in the home center industry, set the tone in the plumbing category by cutting TV ad expenditures by one-third. The four top plumbing/sanitation manufacturers reduced TV ad spending last year by an average of 33.1%.

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BUSINESS WATCH

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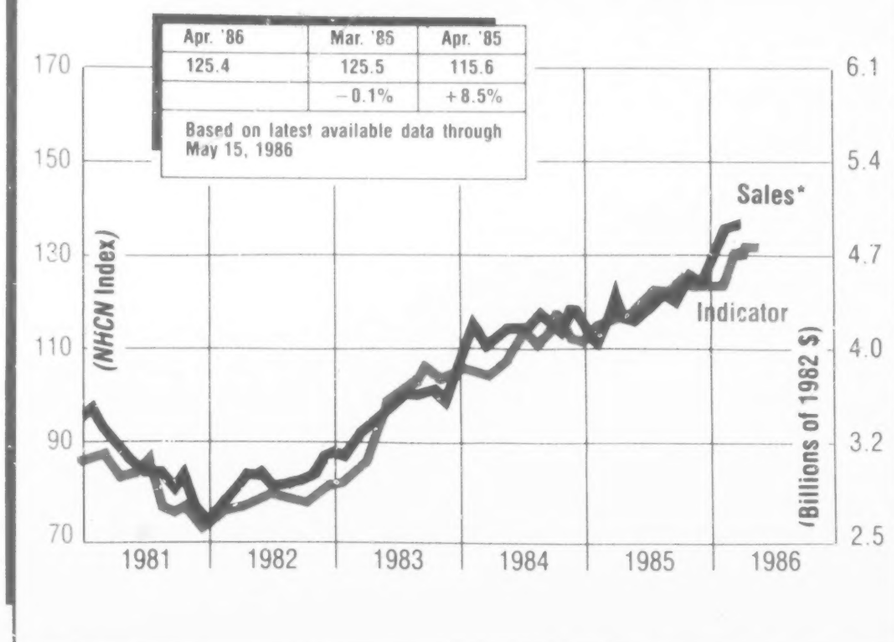


*—Monthly retail trade building materials and supplies in 1982 $.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

Older, more affluent buyers hike building materials sales by 15%

By Richard E. Mount
Special to NHCN

The profile of today's average home buyer contributes significantly to increases in retail sales of building materials: 15% this year, 9% in 1987. Compared to 1979's average, today is older and earns more. Home expenses as a percent of income are down. The home that he buys is older on average, requiring more repairs.

Both 1979 and 1986 represent near-cyclical peaks for resales and starts. The comparison of the two is important for building material sales. During 1980 to 1982 building material sales fell sharply, but over the 1986 to 1987 period they will continue to rise.

Richard E. Mount

Older buyers

Today's buyer is older. The median age of home buyers was 35.8 years in 1985, up from 32.8 years in 1979. Over a six-year period, the median age was up three years.

As the postwar baby boom matures, the average age of the entire population increases. Marriages are being postponed too, which further increases the average home buyers age.

Older home buyers are more likely to undertake do-it-yourself projects. Their careers are more established, so they are less likely to move. Owners are more likely to upgrade permanent homes than temporary residences, and use more durable, higher-quality products. And, people are more likely to use home

(Continued on page 13)

Home Center Industry—General Business Outlook

	1985 1Q	1985 2Q	1985 3Q	1985 4Q	1986 1Q^p	1986 2Q^p	1986 3Q^p	1986 4Q^p	1984	1985	1986^p
***NHCN* Leading Sales Indicator** (January 1980 = 100)	113.7	116.0	121.0	123.4	124.7	127.9	131.7	134.7	113.2	118.5	129.8
General Economic Outlook											
GNP $1982 Billion	3,547.8	3,557.4	3,584.1	3,590.8	3,619.2	3,637.5	3,675.7	3,721.7	3,774.7	3,570.0	3,663.5
Real Disposable income $1982 Bil.	2,482.7	2,532.2	2,503.1	2,517.1	2,551.7	2,575.0	2,593.6	2,617.5	2,468.4	2,508.8	2,584.5
Housing Permits (000 SAAR)	1,667	1,731	1,762	1,741	1,852	1,800	1,825	1,790	1,682	1,739	1,772
Housing Starts (000 SAAR)	1,761	1,743	1,687	1,773	1,993	1,850	1,875	1,850	1,750	1 742	1,892
New Home Sales (000 SAAR)	668	681	711	696	783	760	750	720	639	686	753
Resales (000 SAAR)	2,970	3,047	3,363	3,500	3,267	3,350	3,400	3,350	2,868	3,216	3,342
Prime Rate %	10.5	10.2	9.5	9.5	9.4	8.6	8.0	8.0	12.0	9.9	8.5
Mortgage Rate % (HUD)	13.0	12.9	12.1	11.8	10.8	10.3	9.9	10.3	13.8	12.5	10.3
Consumer Price Index (1967 = 100)	317.8	321.1	323.0	326.5	327.3	327.2	329.4	331.9	311.1	322.1	329.1
Producer Price Index (1967 = 100)	292.1	293.8	293.1	296.4	292.2	288.7	288.3	289.7	291.2	293.9	289.7
New Housing Affordability 1980 = 100	113.7	112.6	119.3	119.3	129.3	133.9	137.9	134.2	102.2	116.2	133.8
Residential Alterations and Repairs											
Current Total $ millions SAAR	84,900	70,400	77,500	71,663	74,189	76,424	78,963	81,365	69,784	76,116	77,735
Maintenance and Repair	37,300	32,400	32,700	31,517	32,528	33,556	34,602	35,664	28,894	33,479	34,088
Additions and Alterations	29,700	25,600	29,500	26,884	27,745	28,461	29,278	29,929	27,822	27,921	28,853
Major Replacements	17,900	12,400	14,300	13,261	13,916	14,406	15,083	15,771	13,067	14,465	14,794
Constant Total Millions $1977 SAAR	49,739	40,975	44,866	41,610	42,650	43,500	44,500	45,400	41,134	44,298	44,013
Maintenance and Repair	21,853	18,858	19,179	18,300	18,700	19,100	19,500	19,900	17,029	19,547	19,300
Additions and Alterations	17,400	14,900	17,300	15,610	15,950	16,200	16,500	16,700	16,406	16,303	16,338
Major Replacements	10,487	7,217	8,387	7,700	8,000	8,200	8,500	8,800	7,699	8,448	3,375
Retail Trade Activity											
Current Total $ Millions SAAR	1,337,312	1,369,400	1,399,296	1,388,316	1,402,856	1,427,173	1,470,054	1,502,536	1,293,062	1,373,941	1,450,655
Total Minus Automobile	1,038,196	1,055,360	1,066,248	1,082,244	1,094,064	1,106,216	1,132,553	1,160,409	1,014,528	1,061,148	1,123,310
Building Material, Hardware, Garden Supply, Mobile Home	70,444	73,280	74,328	78,024	83,736	83,297	84,349	85,637	69,488	74,062	84,255
Building Material and Supply	50,976	53,512	53,736	56,976	60,944	61,005	62,165	63,008	49,774	53,841	61,781
Hardware	10,704	10,912	11,116	11,572	11,428	12,125	12,301	12,480	9,530	11,092	12,084
Constant Total Millions $1982 SAAR	1,255,292	1,279,412	1,307,324	1,286,256	1,296,000	1,131,000	1,336,000	1,352,000	1,227,825	1,282,071	1,324,639
Total Minus Automobile	982,208	993,124	1,003,052	1,007,676	1,010,000	1,024,000	1,038,000	1,053,000	968,351	996,515	1,034,470
Building Material, Hardware, Garden Supply, Mobile Home	66,686	69,827	70,833	73,628	77,774	76,600	76,800	77,200	67,448	70,244	77,094
Building Material and Supply	48,256	50,990	51,209	53,765	56,604	56,100	56,600	56,800	48,570	51,055	56,526
Hardware	10,133	10,398	10,593	10,922	11,100	11,150	11,200	11,250	9,933	10,512	11,054
Building Materials % of Total Less Automobile ($Current)	4.91	5.07	5.04	5.26	5.57	5.51	5.49	5.43	4.91	5.07	5.50

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
May 15, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

National reports 4th quarter losses

By an NHCN staff editor

FOUNTAIN VALLEY, Calif. — National Lumber posted a net loss of $960,000 on sales of $34.4 million in its fourth quarter ended Jan. 31. That compared with net profits of $341,000 on sales of $31.7 million in the comparable quarter a year earlier.

For the fiscal year, 19-unit National Lumber recorded a loss of $154,000 on sales of $135.8 million, compared with the previous year's $1.34 million net earnings on sales of $126.5 million.

Melvin Jaffee, National Lumber's president, told *NHCN* that results for the first quarter of the current fiscal year ended April 30 are expected to be "not good."

He said National Lumber did not publish its monthly catalog in February as "an experiment" and "we got hurt. We learned we cannot live without it." National Lumber's market heated up substantially in 1985 as The Home Depot entered the market for the first time and engaged in a battle for market share with HomeClub and other DIY players.

Jaffee said 28 new warehouses and home centers opened in the geographic areas served by National Lumber stores in fiscal 1985.

"This, combined with lackluster consumer spending at the retail level, had a negative impact on the sales of National Lumber and everyone else in the industry," Jaffee said. "Realistically, we see no change in this competition for customers in 1986."

The poor performance in 1985 in part resulted from costs associated with the opening of four stores—causing $1.2 million in expenses "which obviously had a significant impact on our bottom-line," Jaffee said.

He said the 1985 advertising budget was increased to $9 million from $8 million to support the store expansion effort. National Lumber opened seven new home centers in a 22-month period ended last fall. National Lumber also changed its fiscal year-end from Dec. 31 to Jan. 31.

Jaffee said despite the competition, National Lumber was able to increase its gross margins from 26.3% at the end of 1984 to 29% at 1985 year-end. "It might have cost us some sales—but sales in the right area," Jaffee said.

In another development, National Lumber has been named in a patent infringement lawsuit filed by Zircon International Inc., Campbell, Calif., which said National is selling a Genie stud-sensor product which violates Zircon's stud-sensor patent.

Affluent buyers up building material sales

(Continued from page 12)

projects as a hobby when weak knees force them to leave the mountain slopes.

Wealthier buyers

A wealthier buyer will boost building material sales during 1986 and 1987. The median real income of home buyers rose to $37,990 in 1985 from $35,765 in 1979.

Growth in the economy during the past six years has raised wages more than inflation. The gain would have been even more had two business corrections not occurred.

Housing expenses

Housing expenses are becoming a smaller portion of consumer spending, increasing funds for home improvement. In 1985, 33.5% of households spent more than 25% of their income on mortgage, real estate taxes, utilities and insurance. In 1979, the figure was 45.7%.

Home prices have not risen as rapidly as income in many parts of the country. Building material costs have been held in check by imports. High interest rates have limited demand.

The investment incentive in housing is down. Buyers are looking for units that satisfy their needs rather than the most expensive unit possible.

Utility costs are restrained. Energy costs stabilized after the rapid surge in the 1970's. The recent drop in oil prices is only beginning to be seen in utility bills. Homes are more energy efficient. Public utility commissions are tightening hikes in rates.

Local real estate taxes are not rising as rapidly as in the past. Taxpayers are still rebelling in many parts of the country.

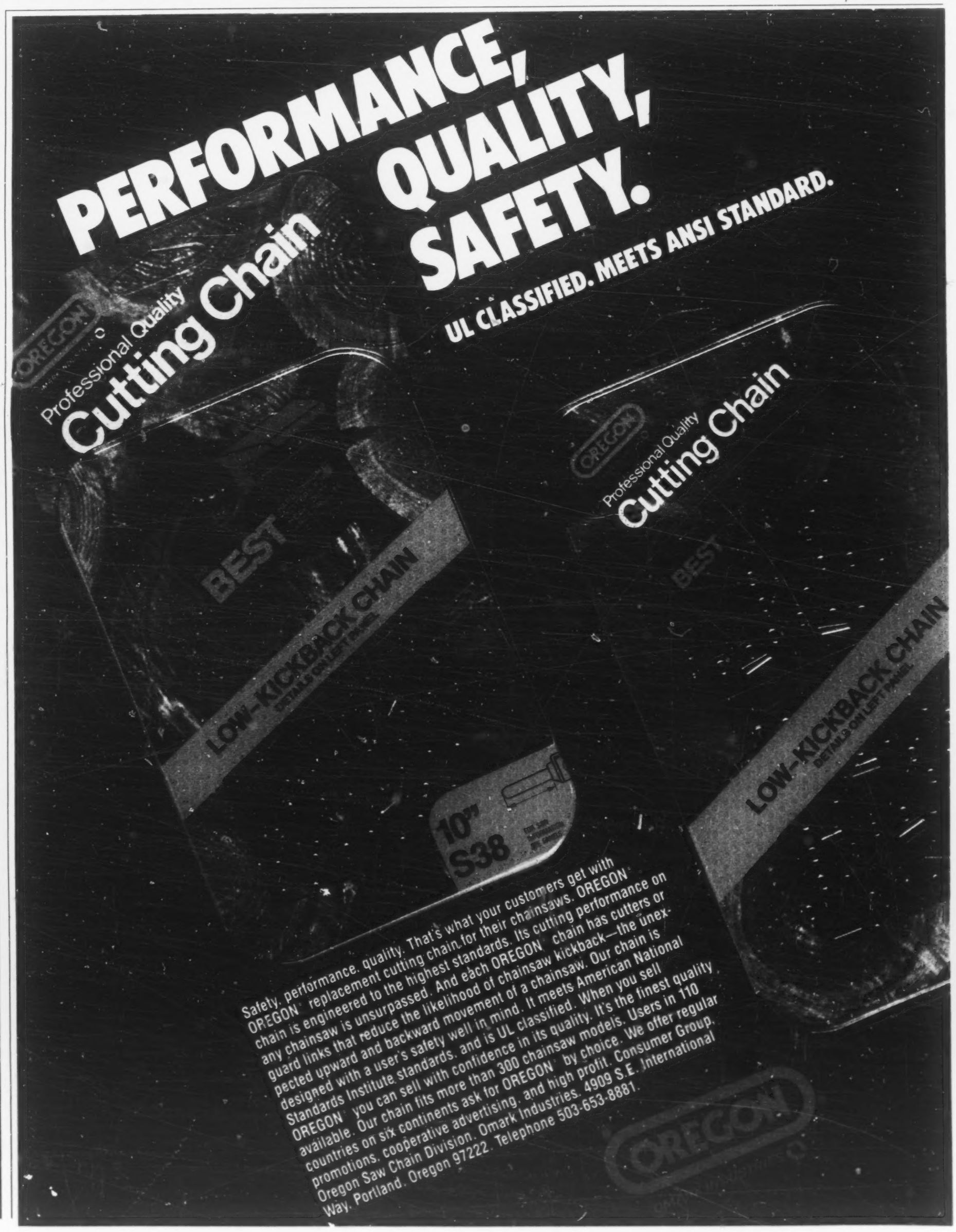
Older homes

The average age of homes purchased is rising. The replacement cycle for major repairs begins during the first ten to fifteen years of a home's life, and the average age of homes purchased rose to 12 years in 1985 from 9.9 years in 1979.

Resales increased 12% in 1985 versus 8% for new, causing the weighted average age to rise. The boom in housing during the early 1970's was not repeated, and the average age of existing housing stock is up.

The changes in homeowner age and wealth and in the cost and age of housing since 1979 will increase the demand for building materials and supplies. Housing starts and resales will decrease through 1987, but higher spending on remodeling and repairs will increase retail building sales 15% in 1986 and 9% in 1987.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.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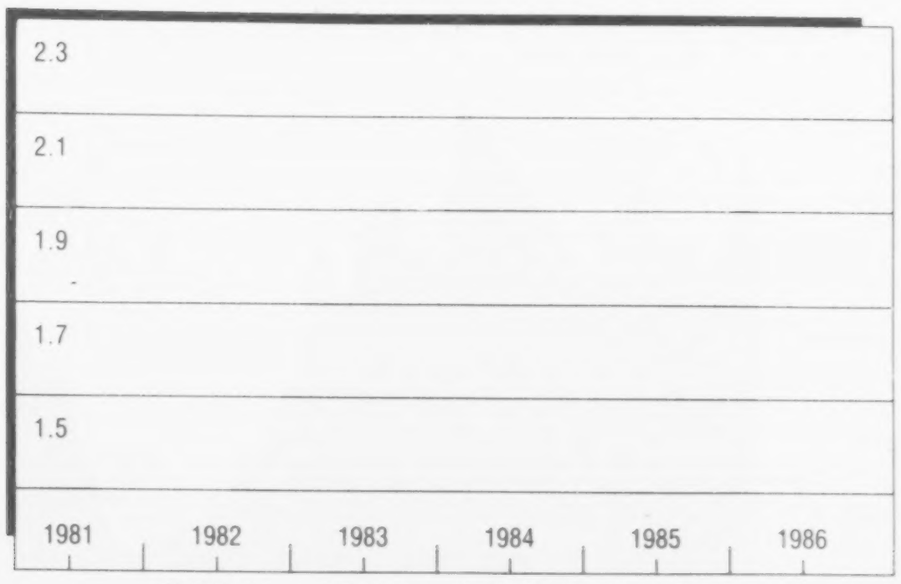
HOUSING WATCH

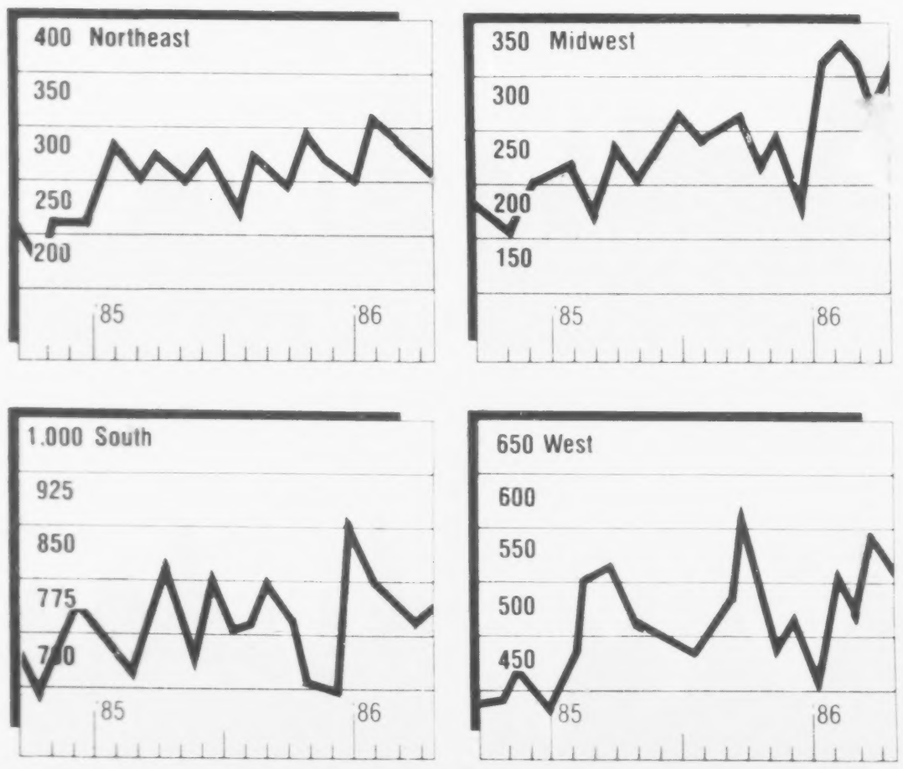
National housing starts and permits
(seasonally adjusted annual rates, in millions)



	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
April '86	2,009	1,883	1,256	1,138
March '86	1,930	1,834	1,207	1,043
April '85	1,851	1,694	1,129	940

Key: Starts, Permits

Regional housing starts and permits
(seasonally adjusted annual rates, in thousands)



April housing starts top 2 mil. unit mark

By an NHCN staff editor

NATIONAL REPORT — Housing starts topped the two million unit mark in April, rising 4%, over March to 2.009 million units, seasonally adjusted, according to the U.S. Commerce Department.

Single-family starts were 1.256 million units, seasonally adjusted, also a 4% increase.

Permit activity rose, too, by 3%, to 1.883 million units, seasonally adjusted, and single-family permits jumped 9%, to 1.138 million units.

Overall, housing starts are up 9% over April 1985, single-family starts, up 11%. Total permits are ahead 11% compared to one year ago, and single-family permits are 21% above the pace in April 1985.

The news was expected, said Gopal Ahluwalia, assistant staff vp-director of research for the National Association of Home Builders. "The market is very strong, there's no question about it," Ahluwalia said.

The NAHB is currently projecting that 1986 will record 1.8 million total starts of which 1.2 million will be in single-family construction. These numbers reflect an increase in earlier projections.

Economists at the Mortgage Bankers Association are a little more bullish about housing prospects for this year. Lyle Gramley, chief economist, is projecting two million starts this year followed by 1.9 million in 1987.

Both men note that the pending tax revision bill and an upturn in oil prices could alter the housing picture at any time. For now, however, the industry is basking in the sun of declining mortgage rates, now at about 10% for 30-year, fixed-rate loans and 9.5% for government-backed mortgages and 15-year loans.

Housing activity was fairly strong in all four regions. The West, however, did record a 5% decline in housing permits. Activity was still 14% ahead of the April 1985 pace.

Individually, the regions recorded small increases in housing starts, from 1% in the Northeast to 6% in the Midwest. Compared to April 1985, starts went from a minus 4% in the South, to a 47% gain in the Midwest.

Permit activity was the stronger of the two categories in April. Again, the Midwest was the top performer. Activity there was up 14% over March, and 39% ahead of its pace last April.

The South, although recording a 1% increase in permit activity in April, to 724,000 units, seasonally adjusted, was still off its April 1985 pace. Permits here were down 2% compared last April.

Regional Housing
(in thousands)

	Apr. starts	% chg.	Apr. permits	% chg.
Northeast	329	+ 1	303	+ 10
West	520	+ 3	528	- 5
South	802	- 5	724	+ 1
Midwest	358	+ 6	328	+ 14

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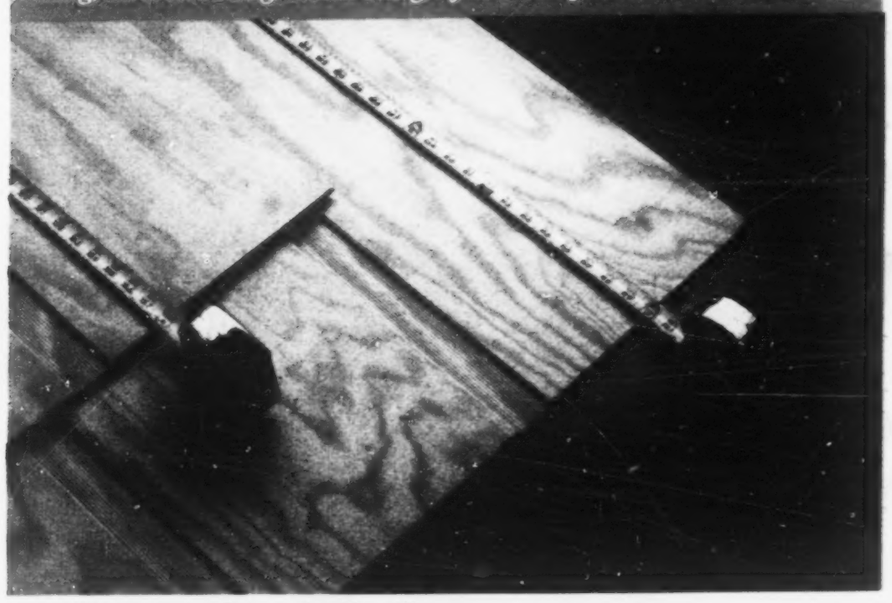

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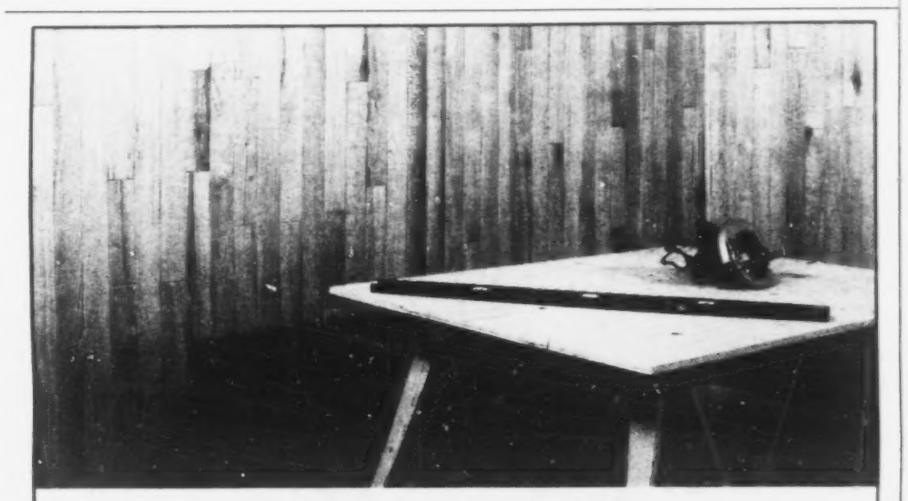

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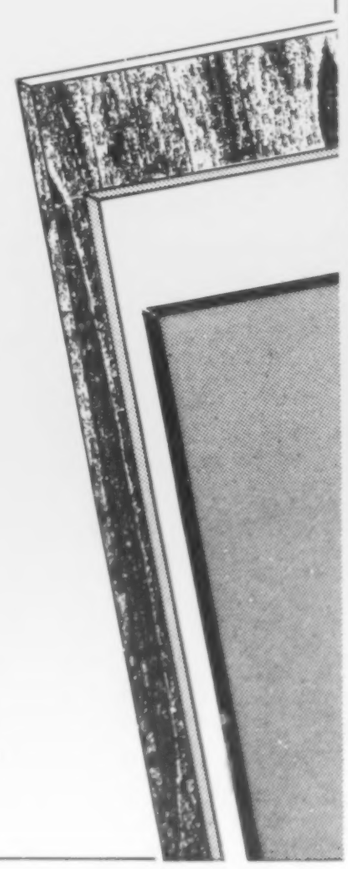

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LUMBER REPORT

Forest industry observers react favorably to Senate tax proposal

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — The Senate Finance Committee's tax bill has given the forest products producers something to smile about, but industry observers warn much could happen to bring their frowns back.

Unlike the House of Representative's tax proposal that threatened to eliminate some historic deductions forest products producers had relied on, the tax package offered by the Senate finance committee, led by long-time forest products supporter Senator Robert Packwood (R-Ore.), keeps intact some provisions foresters valued.

The bill, H.R. 3838, is substantially different from the sweeping tax overhaul outlined by President Reagan or its incarnation from the House last December, but continues the major theme of making corporations and the wealthy pay more by eliminating tax loopholes and certain deductions.

However, if the provisions that impact on timber and forest products survive Senate debate next month, many observers are optimistic that the industry might emerge relatively unscathed.

"Under the House bill, there was definitely a lack of incentive for managing forest land," said Al Goetzl, director of economics for the National Forest Products Association (NFPA). "Under this bill, we have an entirely different animal and on the surface, it appears that the bill has a lot going for it."

Laurence Wiseman, of the American Forest Council, agrees with Goetzl's assessment.

"The Senate Finance committee's version is a quantum leap better than H.R. 3838," Wiseman said "The first house bill would have been an unmitigated disaster for this industry."

In its current version, H.R. 3838 draws a line between private timber growers and corporate foresters on the issue of capital gains treatment. For the corporate forest owners, the tax bill would preserve capital gains treatment, but would treat capital gains earnings for individuals as ordinary income, thereby subjecting them to a higher rate.

"History tells us that people are inclined to make risky long-term investments if those investments are taxed somewhat differently than what income is taxed," said Wiseman. "The finance committee does not make that provision so individual capital gains would be taxed at the [proposed] 27% income rate.

"From the perspective of the tree farmer who's got to decide to put his money into trees and wait 30 years with his fingers crossed or put his money into a CD and start clipping coupons, that has to be a little daunting."

Bill Ganser, president of the Southern Forest Products Association (SFPA), said elimination of capital gains treatment for individual timber growers would be particularly painful to his membership, the majority of whom are small, private landowners.

Sherman Chao, a forest products industry analyst for Salomon Brothers, said he was surprised by the double standard over capital gains.

"The bill is a relief for the large timber companies," Chao said. "It's a relief from the kinds of recommendations that were in the President's and the House's proposal.

"But frankly, I'm quite surprised over capital gains because that's an important issue, especially in the South where you have three-quarters of the timberland owned by individuals.

"So from a corporate view, it relieves a lot of concern investors probably had for the publicly-held timber companies, but for the individuals, I'm a little concerned."

The capital costs recovery system, an accounting method through which timber growers were able to write off annually certain expenses related to managing a forest, are preserved in the current bill. The House proposed abolishing this provision. Assuming the provision remains after the bill is signed into law, foresters will be allowed to expense such items as fighting forest fires, paying interest on land, maintaining seedlings and preserving roadways to harvesting areas.

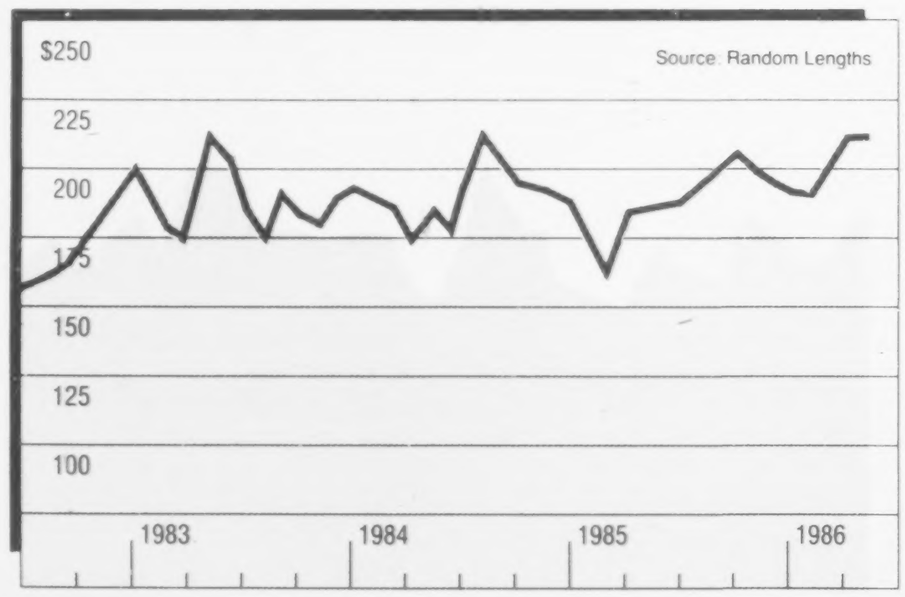
But the industry's precious investment tax credit, a 10% upfront deduction on heavy capital investment in plants or mills, is targeted to be eliminated in both the Senate's version and the House's.

"The loss of the investment tax credit is going to be quite significant," Goetzl said. "In terms of analyzing a return on investment, that 10% upfront

(Continued on page 57)

Commodity close-up

Western and Southern Plywood
Average monthly mill prices
(per thousand board feet)



Heavy first-quarter plywood trading began to level off by April with prices becomming more stabilized. Douglas fir ½-in. CD Ext. 4/5 ply held at $217 per thousand board feet for the second month in a row while southern pine CD Ext. 3 ply rose just $4 for an April trading average of $185 per thousand board feet.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.

Two weeks ended May 8, 1985

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
May '86	189.50	175.10	187.30	176.20	990	197.00	140.00
July	184.90	173.30	183.50	175.60	5,521	190.90	144.00
Sept.	177.00	168.50	175.90	171.40	1,476	182.40	145.50
Nov.	170.10	162.90	169.10	165.00	1,072	174.50	146.00
Jan. '87	173.00	165.90	117.10	168.00	237	175.00	150.00
March	173.40	167.80	171.90	170.50	173	175.50	153.00
May	172.00	165.00	170.00	167.00	34	173.00	160.00

Total Contract Vol. (Through 5/8): 23,049 — **Previous Two Weeks: 31,124**
Total Open Interest (As of 5/8): 9,503 — **Previous Week: 9,310**
Cash Price: $185.22 — **Previous Week: $183.26** — **Year Ago: $151.90**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 5/8.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

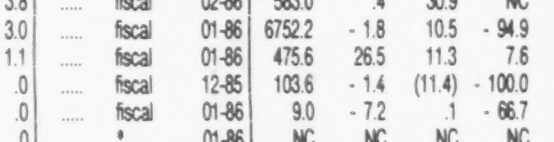
FINANCIAL NEWS

The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
5-15-86	(100)	%	%
Natl Lumber ..... M	1,969	272.3	18.2
Clopay Corp ..... A	570	265.3	15.4
Natl Hardgoods ..... M	323	235.9	14.3
DeSoto Inc ..... N	985	207.5	.0
Std Brd Pnt ..... N	5,834	175.9	5.7
Erb Lumber ..... M	162	162.3	- 4.1
Champ Intl ..... N	46,375	157.2	- 7.7
Emhart Corp ..... N	10,395	153.4	- 2.4
MacMlln Bldel ..... N	774	150.0	13.4
Wolohan Lumber ..... M	3,644	138.7	2.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Company & Market	2-Weeks Ended 4-18-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Natl Lumber ..... M	6.50	18.2	1,969
Clopay Corp ..... A	19.63	15.4	570
Natl Hardgoods ..... M	8.00	14.3	323
MacMlln Bldel ..... N	26.50	13.4	774
K mart Cp ..... N	50.00	9.3	102,512
Grace W R ..... N	57.75	7.4	35,965
Pope & Talbot ..... N	20.13	6.6	886
Zayre Corp ..... N	77.00	6.0	7,849
Certain-teed ..... N	36.50	5.8	3,607
Std Brd Pnt ..... N	23.00	5.7	5,834
Losers	**$**	**%**	**(100)**
Manville Cp ..... N	3.00	- 7.7	17,341
Champ Intl ..... N	24.13	- 7.7	46,375
Allegheny Int ..... N	21.75	- 7.4	2,793
Weyerhaeuser ..... N	33.75	- 6.9	26,863
SW Forest Ind ..... N	12.00	- 5.9	2,330
Mich General ..... A	4.13	- 5.7	1,118
Owens Corning ..... N	49.38	- 5.5	8,856
Georgia-Pacifc ..... N	28.38	- 5.4	18,914
Am Standard ..... N	39.88	- 4.5	9,923
Lewis Palmer ..... M	8.75	- 4.1	786

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 5-16-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile ..... M	23.00	.38	1.7	23.25	22.25	23.50	16.38	4,973	5.27	3.13	68.4	15.3	.00	.0	.....	9 mos.	03-86	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber ..... M	59.00	- 2.50	- 4.1	64.00	57.00	66.50	20.75	162	1.81	.69	162.3	8.6	.00	.0	.....	fiscal	12-85	47.9	33.8	1.8	125.0	2.01	105.1	190.2	29.0	6.1	110.3	6.88	110.4
Forest City Ent ..... A	30.25	.63	2.1	31.25	29.88	31.25	21.25	131	.32	.34	- 5.9	32.2	.30	1.0	.....	fiscal	01-86	81.0	7.6	3.8	322.2	.49	444.4	281.0	6.2	7.4	89.7	.94	91.8
Grace W R ..... N	57.75	4.00	7.4	60.75	54.00	60.75	35.50	35,965	6.61	3.36	96.7	28.6	2.80	4.8	.....	3 mos.	03-86	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0
Handyman ..... A	30.25	.75	2.5	30.50	29.00	30.50	21.75	229	.89	.75	18.7	NA	.20	.7	.....		12-85	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	25.75	- .75	- 2.8	26.75	25.75	27.00	16.00	6,662	7.62	3.39	124.8	NA	.16	.6	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	26.00	- .50	- 1.9	26.75	26.00	27.00	16.00	275	.11	.34	- 67.6	26.8	.08	.3	NEW	fiscal	01-86	116.8	14.1	6.6	8.2	.27	.0	479.0	18.2	23.1	10.5	.97	5.4
Homecrafters Whse ..... M	1.00	.00	.0	1.25	1.00	8.75	1.00	971	3.43	2.14	60.3	NE	00	.0	.....	9 mos.	10-85	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot ..... N	17.00	.50	3.0	17.50	16.38	20.38	10.50	14,583	5.81	2.67	117.6	51.5	.00	.0	.....	fiscal	01-86	203.7	73.5	2.6	- 27.8	.11	- 21.4	700.7	61.9	8.2	- 41.8	.33	- 41.1
INTERCO Inc ..... N	80.38	1.38	1.7	83.00	78.50	83.00	62.75	4,131	2.90	1.31	121.4	13.8	3.08	3.8	.....	fiscal	02-86	583.0	.4	30.9	NC	1.95	54.8	2510.7	- 4.4	92.3	27.8	5.84	31.2
K mart Cp ..... N	50.00	4.25	9.3	51.13	45.50	51.13	30.63	102,512	8.15	3.68	121.5	28.9	1.48	3.0	.....	fiscal	01-86	6752.2	- 1.8	10.5	- 94.9	.09	- 94.3	22420.0	6.3	221.2	- 55.7	1.73	- 54.9
Lowe's Cos ..... N	37.13	.63	1.7	39.50	35.88	41.38	20.75	6,110	1.65	1.88	- 12.2	22.6	.40	1.1	.....	fiscal	01-86	475.6	26.5	11.3	7.6	.31	6.9	2072.6	22.7	59.7	- 2.8	1.64	- 3.5
Mich General ..... A	4.13	- .25	- 5.7	4.50	4.13	6.38	3.25	1,118	.99	.79	25.3	NE	.00	.0	.....	fiscal	12-85	103.6	- 1.4	(11.4)	- 100.0	(1.01)	- 100.0	439.0	- 2.3	(34.6)	- 100.0	(3.06)	- 100.0
Natl Hardgoods ..... M	8.00	1.00	14.3	8.25	7.50	9.00	5.50	323	2.62	.78	235.9	20.0	.00	.0	.....	fiscal	01-86	9.0	- 7.2	.1	- 66.7	.08	- 68.0	33.5	3.4	.5	- 28.6	.40	- 33.3
Natl Lumber ..... M	6.50	1.00	18.2	6.50	5.75	7.25	4.00	1,969	3.50	.94	272.3	NE	.00	.0	.....	*	01-86	NC	NC	NC	NC	NC	NC	136.4	NC	(.2)	NC	(.03)	NC
Pay N Pak ..... N	16.38	.88	5.6	16.88	15.38	17.00	11.63	2,707	2.71	1.70	59.4	20.0	.64	3.9	.....	fiscal	02-86	74.6	21.3	1.3	8.3	.13	8.3	333.8	9.4	8.2	- 18.8	.82	- 18.8
Payless Cash ..... N	24.63	.63	2.6	25.13	23.38	27.50	13.50	10,085	2.91	2.97	- 2.0	21.6	.16	.6	.....	3 mos.	02-86	274.5	7.7	2.4	50.0	.07	40.0	274.5	7.7	2.4	50.0	.07	40.0
Scotty's Inc ..... N	16.88	.25	1.5	17.00	16.13	17.63	12.38	1,497	1.04	.97	7.2	15.9	.52	3.1	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	43.50	.38	.9	46.13	43.25	50.38	31.75	76,708	2.11	1.19	77.3	12.6	1.76	4.0	.....	3 mos.	03-86	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise ..... M	11.50	.13	1.1	12.00	10.88	16.13	10.88	15,780	4.74	3.86	22.8	NE	.08	.7	.....	3 mos.	03-86	457.1	31.7	(29.2)	NE	(.88)	NE	457.1	31.7	(29.2)	NE	(.88)	NE
Std Brd Pnt ..... N	23.00	1.25	5.7	23.63	21.13	24.75	18.75	5,834	5.16	1.87	175.9	16.4	.58	2.5	.....	fiscal	01-86	71.6	1.3	1.6	- 64.4	.14	- 65.0	338.0	7.3	15.8	- 24.0	1.40	- 25.1
Supermkts Gen ..... N	57.50	2.88	5.3	58.38	54.63	59.38	39.88	3,525	1.96	1.38	42.0	16.2	.48	.8	.....	fiscal	01-86	1356.3	1.5	21.6	- 2.3	1.21	- 3.2	5122.6	17.9	63.7	21.6	3.56	20.7
Wickes Cos ..... A	5.88	.25	4.4	6.25	5.50	7.00	3.56	95,352	9.70	8.13	19.3	NA	.00	.0	.....		01-86	NC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber ..... M	9.50	.25	2.7	9.88	8.50	9.88	5.25	3,644	6.23	2.61	138.7	14.8	.16	1.7	NEW	3 mos.	03-86	28.1	21.6	(.1)	NE	(.02)	NE	28.1	21.6	(.1)	NE	(.02)	NE
Zayre Corp ..... N	77.00	4.38	6.0	77.38	70.00	80.00	47.75	7,849	2.64	1.93	36.8	23.6	.64	.8	NEW	3 mos.	04-86	1044.5	32.2	16.7	9.9	.56	5.7	1044.5	32.2	16.7	9.9	.56	5.7
Wholesalers																													
Lewis Palmer ..... M	8.75	- .38	- 4.1	9.25	8.63	9.88	6.38	786	2.01	1.62	24.1	38.0	.28b	3.2	.....	fiscal	01-86	30.4	- 1.0	.1	NE	.01	NE	140.8	- 2.5	.9	- 18.2	.23	- 23.3
Manufacturers																													
Allegheny Int ..... N	21.75	- 1.75	- 7.4	23.63	21.75	28.75	16.50	2,793	2.60	3.60	- 27.8	NE	.00	.0	.....	3 mos.	03-86	467.2	- 7.3	11.9	133.3	.41	NE	467.2	- 7.3	11.9	133.3	.41	NE
Am Standard ..... N	39.88	- 1.88	- 4.5	42.25	38.88	46.88	27.00	9,923	2.52	1.42	77.5	10.3	1.60	4.0	NEW	3 mos.	03-86	715.0	6.8	50.2	147.3	1.30	150.0	715.0	6.8	50.2	147.3	1.30	150.0
Armstrng Wrld ..... N	62.38	- .13	- .2	66.00	61.50	66.50	31.88	6,085	2.54	1.97	28.9	14.2	1.44	2.3	.....	3 mos.	03-86	430.9	14.4	22.9	27.9	.95	26.7	430.9	14.4	22.9	27.9	.95	26.7
Black & Decker ..... N	21.25	.63	3.0	23.88	20.50	25.25	17.25	57,935	10.02	4.49	123.2	43.4	.64	3.0	.....	6 mos.	03-86	415.1	3.0	1.6	- 89.2	.02	- 93.1	936.8	3.4	22.5	- 48.6	.43	- 50.0
Boise Cascade ..... N	53.50	- 1.75	- 3.2	55.88	53.25	59.88	39.63	5,676	2.10	2.23	- 5.8	16.9	1.90	3.6	.....	3 mos.	03-86	916.6	- 4.3	25.0	- 24.9	.83	- 25.9	916.6	- 4.3	25.0	- 24.9	.83	- 25.9
Certain-teed ..... N	36.50	2.00	5.8	37.88	33.25	37.88	22.38	3,607	1.90	1.67	13.8	12.7	.90	2.5	.....	3 mos.	03-86	255.0	.8	10.5	28.0	.56	36.6	255.0	.8	10.5	28.0	.56	36.6
Champ Intl ..... N	24.13	- 2.00	- 7.7	27.63	24.00	29.75	20.25	46,375	4.99	1.94	157.2	17.7	.52	2.2	.....	3 mos.	03-86	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5
Clopay Corp ..... A	19.63	2.63	15.4	20.25	17.25	22.00	11.25	570	3.69	1.01	265.3	NE	.16	.8	NEW	3 mos.	03-86	32.4	11.0	.4	NE	.25	NE	32.4	11.0	.4	NE	.25	NE
DeSoto Inc ..... N	39.88	.00	.0	40.13	39.50	41.00	31.50	985	2.06	.67	207.5	12.0	1.40	3.5	.....	3 mos.	03-86	96.8	4.1	2.4	200.0	.51	200.0	96.8	4.1	2.4	200.0	.51	200.0
Emhart Corp ..... N	36.00	- .88	- 2.4	37.50	36.00	42.63	26.38	10,395	3.75	1.48	153.4	11.8	1.40	3.9	.....	3 mos.	03-86	509.6	21.4	18.0	27.7	.65	27.5	509.6	21.4	18.0	27.7	.65	27.5
Georgia-Pacifc ..... N	28.38	- 1.63	- 5.4	30.75	28.00	33.75	20.63	18,914	1.83	1.71	7.0	20.9	.80	2.8	.....	3 mos.	03-86	1604.0	1.5	30.0	- 38.8	.25	- 41.9	1604.0	1.5	30.0	- 38.8	.25	- 41.9
Insilco Corp ..... N	22.38	- .63	- 2.7	23.88	22.00	24.50	16.63	6,293	3.20	1.46	119.2	16.2	1.00b	4.5	.....	3 mos.	03-86	180.3	- 8.6	6.8	13.3	.34	3.0	180.3	- 8.6	6.8	13.3	.34	3.0
La Pacific ..... N	24.88	- .50	- 2.0	26.88	24.75	30.13	17.13	8,252	2.26	1.66	36.1	36.1	.80b	3.2	.....	3 mos.	03-86	322.6	19.0	1.4	- 41.7	.04	- 42.9	322.6	19.0	1.4	- 41.7	.04	- 42.9
MacMlln Bldel ..... N	26.50	3.13	13.4	26.50	23.25	26.50	12.47	774	.25	.10	150.0	19.8	.25b	.9	NEW	3 mos.	03-86	613.2	13.9	29.2	1023.1	.68	NE	613.2	13.9	29.2	1023.1	.68	NE
Manville Cp ..... N	3.00	- .25	- 7.7	3.75	2.88	8.88	2.50	17,341	7.23	8.41	- 14.0	NE	.00	.0	.....	3 mos.	03-86	455.5	5.1	12.0	- 1.6	.24	- 4.0	455.5	5.1	12.0	- 1.6	.24	- 4.0
Masco Corp ..... N	53.63	- .50	- .9	56.50	53.00	60.50	30.50	8,469	1.32	1.02	29.4	20.2	.64	1.2	.....	3 mos.	03-86	308.0	34.5	45.1	27.0	.70	14.8	308.0	34.5	45.1	27.0	.70	14.8
Mor-Flo Inds ..... M	16.00	.00	.0	16.50	16.00	19.75	14.50	80	.32	.62	- 48.4	12.5	.01	.1	NEW	3 mos.	03-86	52.4	.0	.7	- 58.8	.28	- 56.9	52.4	.0	.7	- 58.8	.28	- 56.9
Newell Co ..... N	33.00	1.38	4.3	33.00	31.63	33.13	15.13	1,785	1.79	1.70	5.3	15.1	.70	2.1	.....	3 mos.	03-86	94.5	18.9	4.1	28.1	.44	25.7	94.5	18.9	4.1	28.1	.44	25.7
Owens Corning ..... N	49.38	- 2.88	- 5.5	53.25	49.00	56.75	32.13	8,856	2.97	2.69	10.4	11.6	1.40	2.8	.....	3 mos.	03-86	866.1	27.7	22.9	- 18.2	.77	- 18.9	866.1	27.7	22.9	- 18.2	.77	- 18.9
Ply-Gem ..... A	14.50	.63	4.5	14.75	13.63	15.50	9.59	2,735	3.72	2.74	35.8	20.1	.12	.8	.....	3 mos.	03-86	50.6	24.3	2.0	81.8	.26	30.0	50.6	24.3	2.0	81.8	.26	30.0
Pope & Talbot ..... N	20.13	1.25	6.6	20.88	19.00	24.75	16.75	886	1.48	1.24	19.4	31.0	.80	4.0	.....	3 mos.	03-86	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0
Potlatch Cp ..... N	45.88	.88	1.9	48.88	45.00	48.88	32.25	3,044	2.34	1.29	81.4	18.6	1.56	3.4	.....	3 mos.	03-86	233.3	- .6	13.6	18.3	.95	41.8	233.3	- .6	13.6	18.3	.95	41.8
Sherwin-Wms ..... N	28.00	- .38	- 1.3	29.25	26.88	32.25	16.63	5,495	1.19	.89	33.7	17.1	.50	1.8	.....	3 mos.	03-86	502.7	2.2	6.9	21.1	.15	15.4	502.7	2.2	6.9	21.1	.15	15.4
SW Forest Ind ..... N	12.00	- .75	- 5.9	12.63	11.88	15.88	9.88	2,330	2.30	1.86	23.7	NE	.00	.0	NEW	3 mos.	03-86	142.5	- 16.4	(4.4)	NE	(.57)	NE	142.5	- 16.4	(4.4)	NE	(.57)	NE
Stanley Works ..... N	43.75	- .75	- 1.7	44.50	43.50	46.25	27.63	3,759	1.35	.89	51.7	15.3	1.04	2.4	.....	3 mos.	03-86	324.2	17.1	14.7	5.0	.53	1.9	324.2	17.1	14.7	5.0	.53	1.9
Thos Inds ..... N	21.25	- .75	- 3.4	22.00	21.25	26.75	14.41	1,094	1.22	.56	117.9	11.6	.68b	3.2	.....	3 mos.	03-86	70.8	- 4.2	3.2	.0	.36	5.9	70.8	- 4.2	3.2	.0	.36	5.9
USG Corp ..... N	70.50	.75	1.1	74.00	69.50	75.00	35.63	5,304	1.64	1.42	15.5	10.0	1.92	2.7	.....	3 mos.	03-86	622.1	5.7	51.7	21.6	1.62	26.6	622.1	5.7	51.7	21.6	1.62	26.6
Walter, Jim ..... N	41.38	- .75	- 1.8	44.25	40.63	48.00	26.00	7,976	3.02	2.26	33.6	10.4	1.40	3.4	.....	6 mos.	02-86	517.0	- 1.8	18.3	22.0	.26	- 52.7	1079.1	- .5	50.0	18.8	1.42	- 7.8
Waxman Ind ..... M	16.50	.25	1.5	16.50	16.13	17.13	10.00	884	2.82	2.76	2.2	20.4	.08	.5	.....	9 mos.	03-86	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser ..... N	33.75	- 2.50	- 6.9	37.00	33.75	40.25	24.75	26,863	2.07	1.23	68.3	24.3	1.30	3.9	.....	3 mos.	03-86	1306.7	2.4	50.0	30.9	.31	29.2	1306.7	2.4	50.0	30.9	.31	29.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va 23219

National Home Center News®

Vol. 12, No. 13 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 16, 1986

Same Store Sales Changes (%)

	First quarter 1986	Fourth quarter 1985
Color Tile	3.1%	3.0%
Hechinger	2.0	– 2.0
Handyman	3.6	10.6
The Home Depot	2.0	2.3
Lowe's	8.0	13.0
Scotty's	2.0	5.2
Average	3.5	5.4

Source: Company reports. *NHCN* chart.

Average same store sales at six representative home center chains fell from 5.4% in the fourth quarter of 1985 to 3.5% in the quarter that just ended.

Industry sees strong '86 after mixed 1st quarter

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — While shoppers exhibited lackluster buying patterns during the first quarter that ended April 30, many home center operators experienced a rebound in earnings.

The seeming contradiction was attributed to a combination of an easing of price pressures in key markets, and renewed attention to internal operations by companies that are now paying less attention to expansion strategies.

For six representative home improvement retailers, from which same store sales were available, sales rose an average of 3.5% in the quarter that ended April 30. The same group—Color Tile, Hechinger, Handyman, Home Depot, Lowe's, and Scotty's—reported same store sales increases of 5% for 1985, and 5.4% for the fourth quarter. Clearly, consumers have cut back.

Even so, some home center companies clocked impressive earnings gains. The Home Depot reported a 164.2%

(Continued on page 54)

Mr. HOW sells 5 Chicago warehouses to Handy Andy

By Gary S. Ruderman and Donald Longo
NHCN staff editors

CHICAGO — Handy Andy Home Improvement signed an agreement in principal June 4 to acquire the five Mr. HOW stores here and one under construction from Service Merchandise on July 1.

According to Ron Rashkow, Handy Andy chairman, the stores will remain open under a joint management agreement through June 30, at which time the Gurnee, Ill.-based home center chain will

(Continued on page 53)

Mr. HOW's flagship store in Schaumburg, Ill., is among five Chicago area Mr. HOW Warehouses acquired by Handy Andy this month. The Gurnee, Ill., chain also purchased one prospective Mr. HOW under construction. NHCN photo

Wickes inks Homecrafters deal pending reorganization approval

By Brad Altman
NHCN staff editor

LOS ANGELES — The 28 retail/builder home centers operated by Homecrafters Warehouse of Birmingham, Ala., would be folded into the 211-unit Wickes Lumber chain if an agreement in principle to acquire Homecrafters, signed by both parties June 1, is consummated in August as projected by Wickes.

As previously reported (*NHCN*, May 19), Homecrafters would use proceeds of the sale to resolve its financial problems. The company has been operating under Chapter 11 of the Federal bankruptcy code since December.

The acquisition is now subject to submission of a plan to reorganize Homecrafters and a disclosure statement to the Bankruptcy Court, and approval of that Plan by a vote of creditors and stockholders.

[Wickes isn't the only company vying for these stores, though. *NHCN* has learned that Stacy Building Materials, a $30 million chain of seven home centers in Alabama and Mississippi, made a bid of close to $35 million, primarily in cash, for all 28 Homecrafters stores the last week of

(Continued on page 4)

Scotty's plans test of video sales aid in 10 units this fall

By an NHCN staff editor

ORLANDO, Fla. — Scotty's became the largest company in the home center industry to step into the age of electronic shopping when it finalized plans here at the fourth annual Electronic Shopping conference to test a freestanding, 7-ft.-tall laser video disc kiosk that provides free video demonstrations for customers on an assortment of DIY projects.

Walt Disney's super-high-tech EPCOT Center provided the perfect backdrop for the Touche Ross-sponsored conference in late May which attracted over 450 executives representing retailers, manufacturers, bankers, communications

(Continued on page 54)

Home center industry veterans Bill Matthews (left) of Lanoga and Dave Bryant of Scotty's were among over 450 delegates attending Electronic Shopping '86, a Touche Ross-sponsored conference on the future of electronic retailing. NHCN photo

FCC rules move to halt radio interference from garage door openers

By Laura Liebeck
NHCN staff editor

NATIONAL REPORT — If new rules governing the manufacture and operation of garage door openers are enforced by the Federal Communications Commission (FCC), the industry could be served a fatal blow, according to some manufacturers and officials of the Door Operator and Remote Controls Manufacturers Association (DORCMA).

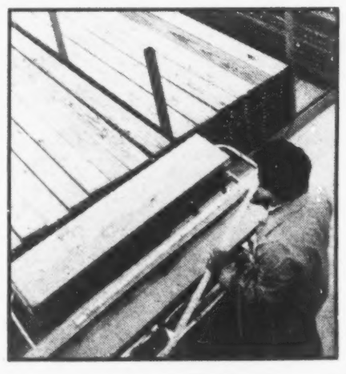
Approximately half of the 16 manufacturers currently producing the components for garage door openers could fail under the weight of the new, stricter requirements, said Lawrence L. Meyer, president of DORCMA and vice president of operations for Genie Home Products, one of

(Continued on page 54)

INSIDE

Lumber Report: New shake and shingle tariff rattles Canadian forest product producers and U.S. dealers. **16**
Perspectives: Independent wholesalers are back in the distribution pipeline with a more comprehensive menu of services. **21**

Merchandising: EPA plans audit fo compliance on treated wood guidelines. **32**
Merchandising: Dealers are resisting price hikes on lumber, and are taking a more conservative approach to long range commodity buying decisions. **34**



NEWSBREAKS

GROSSMAN'S EXEC JOINS PLYWOOD RANCH: Edward N. Ferland, a former divisional merchandise manager of Grossman's in Braintree, Mass., has joined Plywood Ranch, also based in Braintree, as exec vp for merchandising and operations. Ferland, 48, had worked for Grossman's for 15 years.

NEW HQ FOR TEXAS CHAIN: Foxworth-Galbraith Lumber will move to a new 40,000-sq.-ft. company-owned headquarters July 13 in northern Dallas.

INDUSTRY UPDATE

Builders Sq. opens seven units

SAN ANTONIO, Tex. — On May 22, Builders Square opened seven new warehouse stores, possibly setting a single day record in the industry.

The stores, all in the 100,000-sq.-ft. range, opened in the Braddock Hills and Pleasant Hills, Pa., suburbs of Pittsburgh; the Homewood and Melrose Park, Ill., towns around Chicago; the chain's third unit in Detroit; and stores in West Palm Beach and North Palm Beach near Miami.

Eighteen days earlier, the chain, which has a goal of opening 50 stores in calendar year 1986, opened three units in the Minneapolis-St. Paul market. The stores are located in the suburbs of Maplewood, Brooklyn Center and Bloomington, Minn.

Hechinger headlines AHMA show

CHICAGO — John Hechinger Jr., the newly-appointed president of Hechinger Co., will be the keynote speaker at this year's Hardware Show here.

Hechinger, 36, will deliver a speech entitled, "The New Success Criteria," on Monday, Aug.11 at 8 a.m. in the Lindheimer Room at McCormick Place, the site of the show.

"The name 'Hechinger' is synonymous with retailing excellence, and we are extremely pleased John Hechinger will be headlining our educational program," said William Farrell, executive director of the American Hardware Manufacturers Association, the show's sponsor.

Erb to split common stock

BIRMINGHAM, Mich. — Erb Lumber, the $190 million chain of building materials stores, said it intended to undertake a 4-for-1 split of its common stock. The split would be payable July 11 to shareholders of record as of June 16.

The action is contingent on shareholder approval of an amendment to the Articles of Incorporation increasing the authorized common stock from 3 million to a total of 10 million shares.

The company said the planned split is being taken to facilitate ownership of its common stock, and to bring its market price within a trading range more attractive to individual investors. Erb stock has been trading recently at over $60 per share, having risen from $35 earlier this year.

Most recently, the company found it necessary to repurchase 45,900 shares of its outstanding common stock, in order to keep them from being sold on the open market (*NHCN*, March 24.)

Far East importer buys out Lowi

PASADENA, Calif. — The three-unit, family-run warehouse home center chain founded by Sol Lowi 16 years ago in North Hollywood, Calif., was bought in late April by STG Imports, a Pasadena, Calif., importer of doors, hardware and cement mixers made in Israel and the Far East. STG Imports' president A. Rami Lehavi said "we're not going to make any changes," adding that Sol Lowi and his children Irwin and Phyllis will continue to manage the company.

Town tries to halt Builders Sq.

BLOOMINGDALE, Ill. — The Village of Bloomingdale filed an appeal to halt construction of an 80,000-sq.-ft. Builders Square in this western Chicago suburb.

The April 28th appeal stems from a 1985 action by the village board to halt construction of a 15.6-acre shopping center with Builders Square as the anchor tenant. Urban Investment of Chicago and Zaremba Midwest of Cleveland—the developers—filed suit in Circuit (state) Court in May, 1985 to overturn the village ruling. A Circuit Court judge ruled February 27, 1986 in favor of the shopping center developer.

The village contends the shopping center complex, just 180 ft. from a development of $150,000 homes, does not meet the original use plan for multi-family units and convenience stores, according to Village Mayor Sam Tenuto.

The proposed Builders Square site is across the street from a Mr. HOW Warehouse and a Service Merchandise store under construction. Tenuto said the competitor's site was on recently annexed land planned as commercial.

An attorney for the Builders Square developers expects settlement in 11 months.

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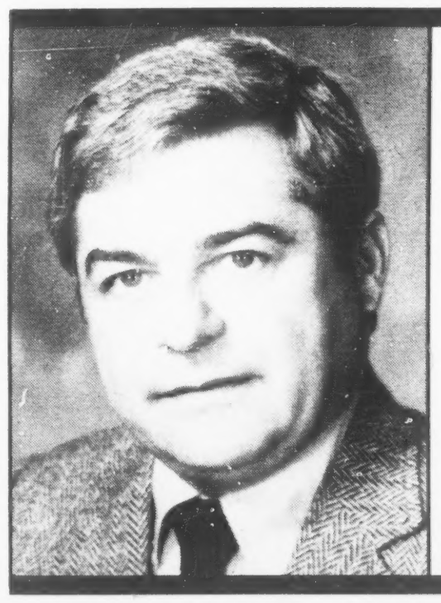
Ex-Kindt coo named exec vp of Minn.'s United Building Centers

By an NHCN staff editor

WINONA, Minn. — Bob Drumm, chief operating officer of the nine-store Kindt Corporation until its acquisition by Wickes last month, has been named executive vice president of United Building Centers, based here.

Drumm, who joined UBC in May, worked at Kindt for 10 years, first as director of marketing. He was named coo in 1984 when the Lomira, Wis.-based company was purchased by Edward Hines Lumber.

UBC president Daryl Nagle told *NHCN* that Drumm will serve as chief operating officer of the 115-store division of Seattle-based Lanoga, which also owns 11 Spenard Builders Supply units in Alaska and 14 Lumbermen's stores in Washington and Oregon. Drumm will oversee operations and marketing functions.



"The volume of our division is about 75% greater than it was two years ago before the Peavey acquisition. It's a bigger job [running the company]. I can't wear two hats anymore."

—**Daryl Nagle,** *UBC president*

The executive vp post that Drumm fills is not a newly created position, but it has been vacant since Nagle was promoted two years ago.

In 1984, Lanoga acquired 23 Peavey retail stores which were assimilated by the mostly rurally-located UBC. Last year, the company added five Payless Cashways stores in Iowa and Minnesota to its fold.

"The volume of our division is about 75% greater than it was two years ago before the Peavey acquisition," said Nagle. "It's [running the company] a bigger job. I can't wear two hats anymore."

Knoll opens third Seattle unit, promoting full-service strength

By an NHCN staff editor

WOODINVILLE, Wash. — Knoll Lumber & Hardware has opened its third unit here in this high-growth community northeast of Seattle.

Craig Knoll, president of the independent retailer which posts an estimated $7 million yearly volume, said the new 2½-acre facility contains a 9,600-sq.-ft. showroom and a 10,000-sq.-ft. outside covered shed containing lumber, plywood and other commodities.

Knoll Lumber's other units are in Kenmore and Mill Creek, Wash.

Grand opening for the Woodinville outlet was held in late April. Knoll's contractor-to-consumer ratio is split evenly. Cash customers get 10% off list and charge account customers who pay the balance due monthly receive a volume-based discount.

One of Knoll's merchandising strategies that sets it apart from its competition is its custom-home packages. Knoll offers nearly two dozen home designs. Financing is available on the home packages as well as on any project over $1,000. Line drawings and floor plans are contained in a catalog.

Despite its strong contractor base, Knoll is attempting to pursue the DIYer. The catalog notes that Knoll has "traditionally bought our lumber and plywood based on appearance and structural integrity, not on price alone."

Knoll offers free delivery within a 50-mile radius. And, supporting its DIY-emphasis, many displays in the stores include strong point-of-purchase take-away brochures.

There is also a customer-service desk. Knoll's product mix consists of name-brand goods. The independent's focus is on promoting its full-service strength rather than to join the low-price discount battle now beginning to stir among the big DIY chains in Washington.

Specialty wholesaling provides niche for L.A.-based Stanline

By Donald Longo
NHCN staff editor

NORWALK, Calif. — Due to the drive by many retailers to buy a growing part of their product mix direct from manufacturers, independent building material wholesalers are supposed to be an endangered species.

But, Stanline, the $55 million wholesaler based here, has flourished by carving out its niche as a distributor of high quality, specialty building products to a diverse customer group that includes warehouse-type home improvement stores as well as conventional home centers, lumber yards, hardware stores, paint dealers, prestainers, furniture and cabinet manufacturers, and commercial and specialty subcontractors.

"We see the trend developing back towards two-step distribution partly because of the disastrous year home centers had last year, especially the warehouses," said Stanley Frahm, president and chief executive officer of the company that went public late last year.

That trend back to two-step, according to Frahm, is being fueled by many retailers who are finding they can increase their inventory turns and raise gross margins by relying on the value-added services provided by independent wholesalers.

"We turn our inventory 11 times," noted Frahm in an interview with *NHCN* last month, "Whether you're in retail or distribution, that's a very significant key to profitability."

The crux of the matter, noted Frahm, is that somebody has to handle the warehousing and distributing functions. "Whether the retailer does it, or the distributor, or the manufacturer, someone has to bear those costs," he said.

The efficiencies in being able to supply a variety of

(Continued on page 8)

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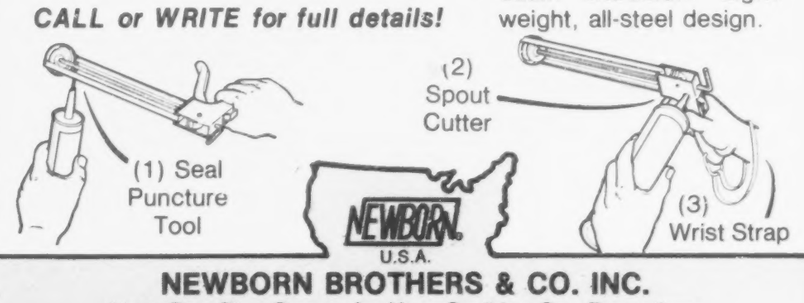

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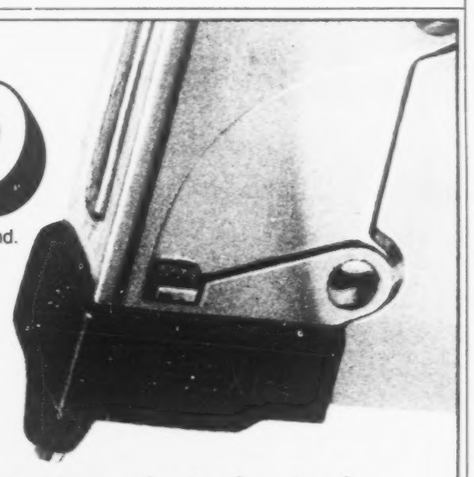

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Former home center executives plan to open office supply warehouse chain

By Elizabeth Brent
NHCN staff editor

BOCA RATON, Fla. -- Three former home center executives, Pat Sher, Jack Kopkin and Steve Dougherty, have formed a new company in which they will attempt to apply the warehouse concept to the office supply business.

Called Office Depot, the new firm has signed its first lease and hopes to open two units simultaneously in southern Florida in the fall, one in late 1986 and one in the first quarter of 1987.

The warehouses will be priced very competitively and stock 3,000 items. They will sell office supply equipment including typewriters, shredders, copy machines, stationery and limited office furniture.

"We feel that this is even more reproducable than HomeOwners Warehouse because the warehouses will only be between 15,000 sq. ft. and 20,000 sq. ft. and so its easier to obtain the real estate," said Pat Sher, chairman of Office Depot and founder and former chairman of the warehouse home center chain that is now called Mr.HOW Warehouse. "Office Depot will target the consumer and the small to medium business operator."

The idea for the company came from Jack Kopkin who saw the potential for office supplies while working for Grossman's Southwest in California as general merchandise manager. The Ventura and southern Californian stores operated as membership club warehouses, and sold close-out merchandise including office supply equipment and blue jeans.

"I've spent the last year researching what areas of retailing we can exploit in the warehouse atmosphere," said Sher. "It's not as complex a business to learn as the home center business. The potential is almost unlimited because its not being done."

Membership warehouses have recognized the potential of office supplies and stationery which now form 10% of their annual sales according to *Discount Store News*, a sister publication of *NHCN* that serves the discount store industry. A few manufacturers have started to package merchandise in the quantity suitable for warehouse merchandising.

Corrections

The "Top 150" chart in *NHCN's* census issue of May 5 listed Wickes Cos. as operating 212 retail building material outlets. The totals neglected to include the Builders Emporium units, as listed on the subsidiary chart at the bottom of the Top 150 chart. BE operated 63 units at the end of 1985 and 59 at the end of 1984.

An article in the May 5 issue of *NHCN* indicated that Sutherland Lumber, Kansas City, Mo., had closed a House Mart warehouse store in Tulsa, Okla. The company later noted that it had never operated a warehouse unit in that city, and that it had not closed a store there. The firm's warehouse units had been closed in Indianapolis, Ind.

Trustworthy Hardware, a member of the Liberty Distributors wholesale buying group, is in Waseca, Minn. The location of the unit was incorrectly identified in a photo caption on page 1 of *NHCN's* May 19 issue.

Stories appearing in *NHCN* on May 19 and June 2 broke out advertising dollars spent by paint dealers in 1985 as tracked by the Television Advertising Bureau. In those stories, Standard Brands was identified as having spent $6.9 million. Subsequent documentation from Standard Brand's chairman, Stuart Buchalter, revealed that of the $13.3 million the chain spent on total chainwide advertising, $1.5 million was spent to promote its "Decade" paint line alone on TV.

Buchalter also supplied *NHCN* with recently-released market research done by the *Los Angeles Times* and *San Diego Tribune* showing that, in southern California, Standard Brand's ranked No. 1 in share of market for both exterior and interior paint when brand and store preference were compared.

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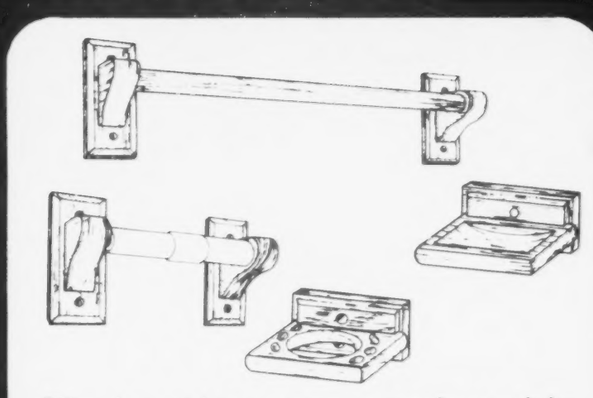

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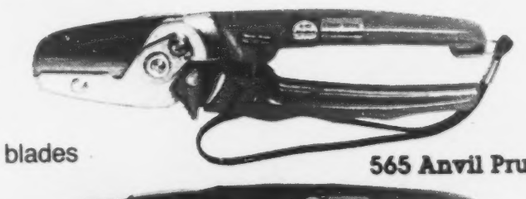

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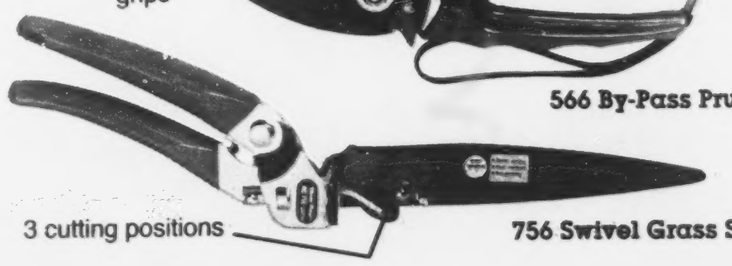

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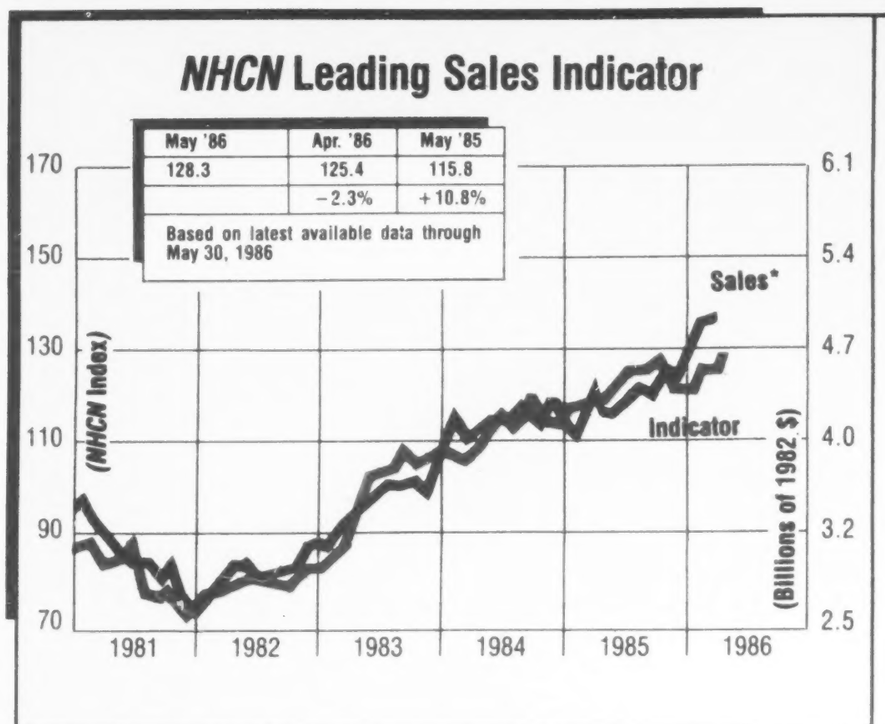
BUSINESS WATCH



*—Monthly retail trade building materials and supplies in 1982 $.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

Economies of East North Central states outpace national average

By Richard E. Mount
Special to NHCN

Economies of the East North Central (ENC) states are beginning to grow faster than the national average, now that the recovery is shifting to business investment and consumer durable goods. This region has an industrial concentration in capital goods, automobile and steel production.

Building material sales will rise 17% this year in the region, while nationally they will average a 15% gain. In 1987, sales will increase 9% for the region, 8% for the country. This represents a change from last year when building material sales in the region rose 5%, the nation 8%. Ohio will do the best, Indiana the worst.

Richard E. Mount

Regional economy mixed

Demand for capital goods will accelerate in the second half of 1986 and throughout 1987, boosting employment, housing and building material sales in the ENC states. The recovery in capital goods is the major reason for the region to be on the mend in 1986 and 1987.

A weaker dollar will help domestic production by raising exports and reducing imports. The economy and demand for durable goods will accelerate because of lower interest rates and fuel costs. Proposed tax reform will help business equipment investment by shortening depreciation schedules.

Construction machinery production will do well. The

(Continued on page 13)

Home Center Industry Regional Outlook

		1985			1986				1987			
		QII	QIII	QIV	QI	QII	QIII	QIV	QI[p]	1985	1986[p]	1987[p]
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**116.0**	**121.0**	**123.4**	**124.1**	**126.4**	**130.9**	**135.0**	**138.0**	**118.5**	**129.1**	**139.3**
Building Material Retail Sales												
Current	**Total U.S. ($ millions) SAAR**	**53,512**	**53,736**	**56,976**	**60,944**	**61,005**	**62,165**	**63,008**	**65,050**	**53,841**	**61,781**	**66,655**
	New England	2,902	3,238	3,477	3,839	3,819	3,873	3,881	3,994	3,038	3,853	4,077
	Middle Atlantic	7,119	7,408	8,306	8,489	8,535	8,629	8,720	8,977	7,269	8,593	9,165
	East North Central	8,575	8,603	9,048	9,666	9,663	9,878	10,062	10,441	8,381	9,817	10,742
	West North Central	3,860	3,841	4,000	4,278	4,252	4,320	4,354	4,482	3,747	4,301	4,591
	South Atlantic	11,139	10,868	11,837	12,554	12,646	12,918	13,131	13,569	11,262	12,812	13,931
	East South Central	2,912	3,056	3,182	3,516	3,569	3,674	3,774	3,949	2,964	3,633	4,078
	West South Central	6,240	5,822	6,041	6,143	6,101	6,154	6,124	6,297	6,090	6,131	6,422
	Mountain	2,606	2,620	2,763	2,938	2,959	3,040	3,094	3,194	2,674	3,007	3,263
	Pacific	8,158	8,281	8,322	9,519	9,462	9,679	9,867	10,148	8,377	9,632	10,386
Constant	**Total U.S. (1982 $ millions) SAAR**	**50,990**	**51,209**	**53,765**	**56,604**	**56,100**	**56,600**	**56,800**	**58,060**	**51,055**	**56,526**	**58,605**
	New England	2,765	3,086	3,281	3,566	3,512	3,526	3,499	3,565	2,883	3,526	3,585
	Middle Atlantic	6,783	7,060	7,838	7,885	7,848	7,856	7,861	8,012	6,897	7,863	8,058
	East North Central	8,171	8,198	8,538	8,977	8,886	8,994	9,071	9,319	7,954	8,982	9,444
	West North Central	3,678	3,660	3,775	3,974	3,910	3,934	3,925	4,000	3,556	3,936	4,036
	South Atlantic	10,614	10,357	11,170	11,660	11,630	11,761	11,837	12,111	10,687	11,722	12,249
	East South Central	2,775	2,912	3,003	3,266	3,282	3,345	3,402	3,524	2,913	3,324	3,585
	West South Central	5,946	5,548	5,701	5,706	5,610	5,603	5,521	5,620	5,779	5,610	5,647
	Mountain	2,483	2,497	2,607	2,728	2,721	2,768	2,789	2,851	2,537	2,751	2,869
	Pacific	7,774	7,892	7,853	8,842	8,701	8,813	8,895	9,057	7,949	8,813	9,132
Per Cent of U.S. Total												
Current	**Total U.S. ($ millions) SAAR**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
	New England	5.42	6.03	6.21	6.30	6.26	6.23	6.16	6.14	5.65	6.24	6.12
	Middle Atlantic	13.30	13.79	13.86	13.93	13.99	13.88	13.84	13.80	13.51	13.91	13.75
	East North Central	16.02	16.01	15.88	15.86	15.84	15.89	15.97	16.05	15.58	15.89	16.12
	West North Central	7.21	7.15	7.08	7.02	6.97	6.95	6.91	6.89	6.96	6.96	6.89
	South Atlantic	20.82	20.22	20.43	20.60	20.73	20.78	20.84	20.86	20.93	20.74	20.90
	East South Central	5.44	5.69	5.77	5.77	5.85	5.91	5.99	6.07	5.51	5.88	6.12
	West South Central	11.66	10.83	10.54	10.08	10.00	9.90	9.72	9.68	11.32	9.92	9.63
	Mountain	4.87	4.88	4.83	4.82	4.85	4.89	4.91	4.91	4.97	4.87	4.89
	Pacific	15.25	15.41	15.40	15.62	15.51	15.57	15.66	15.60	15.57	15.59	15.58
Industrial Production												
Index (1977 = 100)	Brick	87.5	91.3	88.7	92.7	93.1	94.2	94.1	92.4	88.5	93.5	91.1
	Cement	110.0	106.5	99.8	121.2	110.9	111.4	112.3	110.9	105.7	114.0	109.4
	Gypsum Mallboard	127.7	129.6	132.4	132.8	133.7	132.3	134.5	134.6	126.4	133.3	133.9
	Hardware	102.7	99.2	99.4	99.4	102.2	103.5	104.3	104.3	100.9	102.4	103.8
	Lumber Products	121.8	126.1	125.7	127.3	128.2	129.1	128.5	127.3	122.9	128.3	126.6
	Paint	106.0	98.2	100.2	100.6	104.7	105.9	107.1	108.2	101.9	104.6	109.1
	Plywood	137.1	144.3	142.9	145.2	146.2	147.6	147.2	146.3	138.7	146.6	145.2

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

East North Central states economies surge

(Continued from page 12)
decline in the dollar will make imports more expensive, lower interest rates will spur investment, and as the current stock of machinery is nearing the end of its useful life, replacement sales will rise.

The automobile sector will provide stability to employment in the ENC region. Sales promotions in 1985 drew out sales for 1986 and 1987. Domestic promotion at the national level will decline from 8.2 million in 1985 to 7.5 million in 1986 and 7.2 million in 1987. But ENC auto production will be stronger than the national total. Honda is expanding capacity in Ohio, Ford is opening a new Taurus plant in Illinois and many new plants have opened in Michigan. Auto parts producers will raise regional employment.

Areas producing farm machinery will be weak. Dealers are cutting inventories and the agricultural market remains weak. A small upturn will develop in 1987, but the output level will be low.

Employment in the region will decline in steel producing areas. Major national markets for steel—auto, nonresidential construction, oil field machinery—will decline.

Outlook by state

The best ENC state for building material sales—up 20% in dollar volume—will be Ohio, with its concentration of capital goods and automobile industries. In 1985, resales rose 17%, housing starts 2%. Employment is up 3.5% from a year ago, and the unemployment rate has declined to 9.1%.

Michigan

In Michigan, building material sales will rise 19% this year. Capital goods industries will increase employment. But the large auto and auto parts sectors will not raise production. Resales increased 20% in 1985, and housing starts rose 19%. Employment is up 3% from a year ago and the unemployment rate is now 9.3%, down from 10.2%.

Illinois

Illinois' building material sales will rise 15% in 1986. The economy near Chicago is rebounding, but the southern part of the state is agricultural, manufacturing farm machinery. Resales rose 15% last year and housing starts 14%. But employment is unchanged from a year ago, and the unemployment rate has risen to 10.1%.

Wisconsin

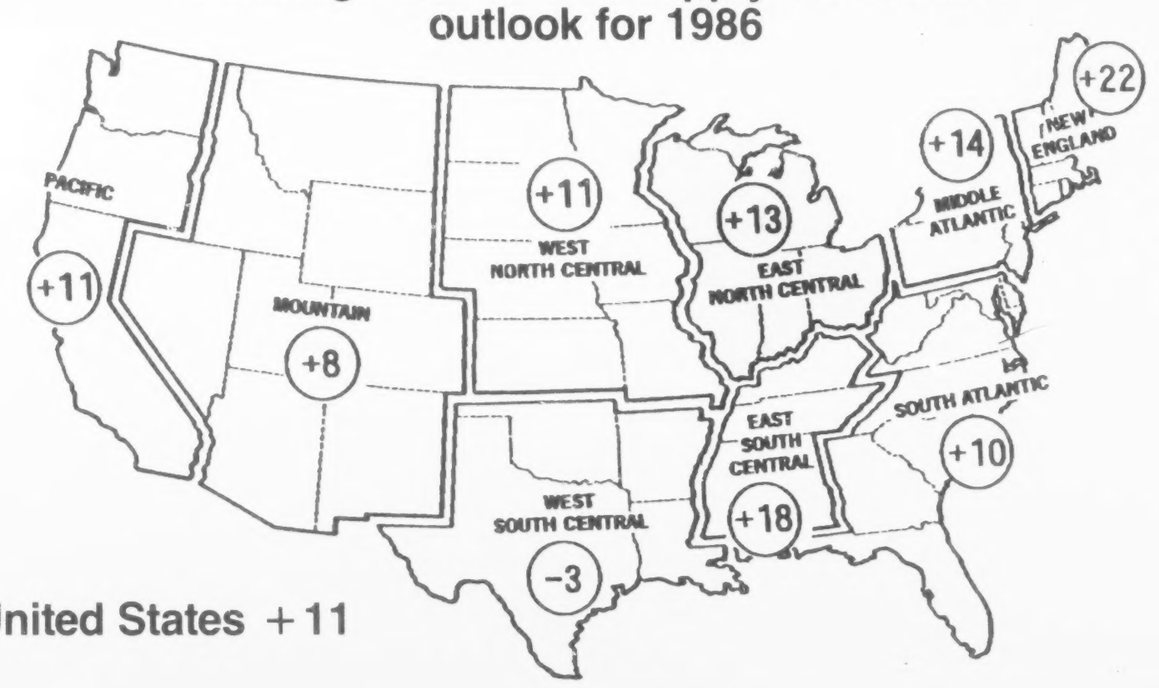
Wisconsin's sales of building materials will increase 13% this year. Capital goods employment will rise, but farm income from the large dairy sector will be unchanged. Resales rose 17% in 1985, but housing starts declined 1%. Employment is 2% higher than a year ago. Unemployment declined to 8.8%, from 9.3%.

Indiana

Indiana will be the weakest state in the region, with building material sales up only 11%. The state is a major steel producer with an agricultural concentration in corn. The capital goods sector will help the state economy. Resales rose 40% last year, but housing starts were up only 7%. Employment is up 4% from a year ago and the unemployment rate has fallen to 7.5%, from 9.9% a year ago.

Richard E. Mount is senior economist and manager of housing construction material research for Merrill Lynch Economics.

Building material and supply store sales outlook for 1986



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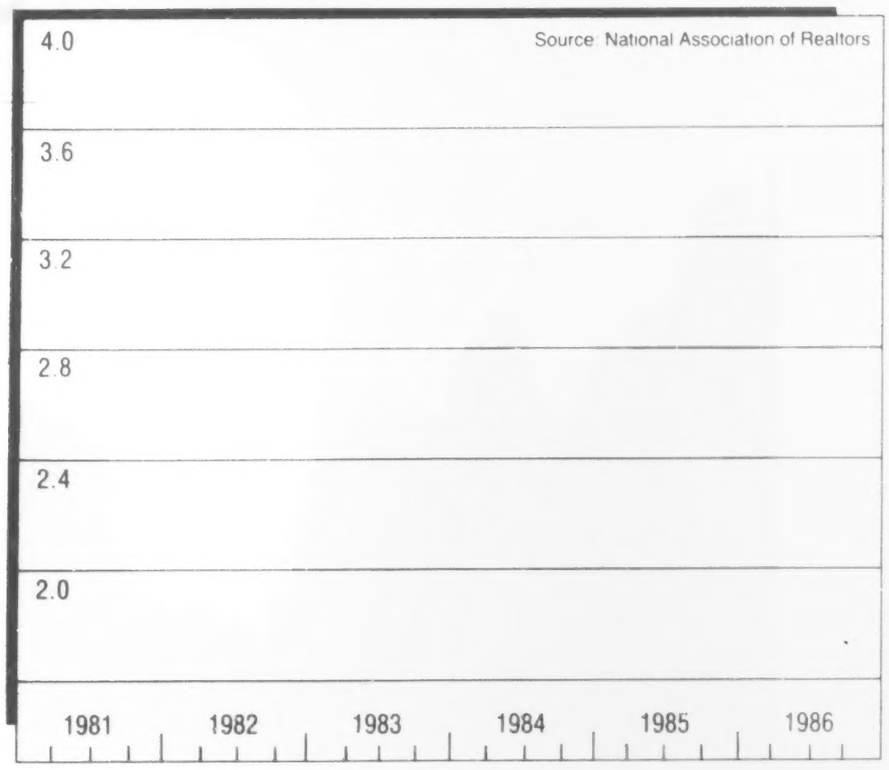
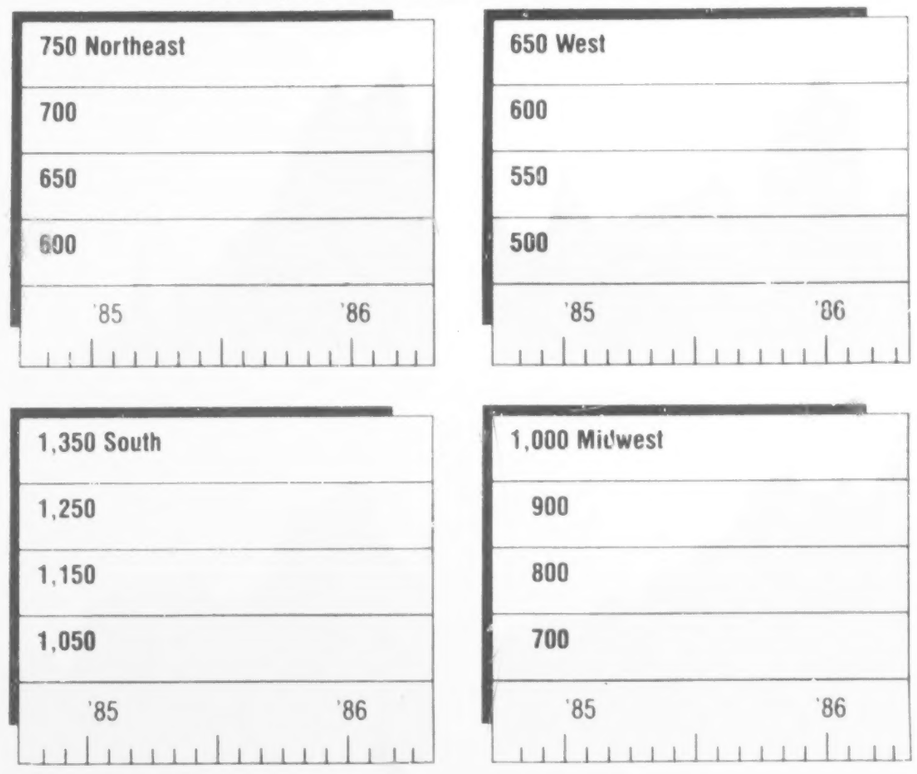
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Resales reach six year high

By an NHCN staff editor

NATIONAL REPORT — Declining mortgage rates are credited with pushing the home resale rate to its highest level in more than six years, to 3.56 million units, seasonally adjusted, the National Association of Realtors (NAR) reported.

Not since October 1979 has the resale home rate been this high, the NAR noted.

Activity rose 11.3% in April from a seasonally adjusted annual rate of 3.2 million units in March, a 17.8% increase over the April 1985 pace.

The Federal Home Loan Bank Board reported that in early April, the effective loan rate for previously occupied homes dropped to 10.37% from 10.67% in March.

Home prices appreciated just 1.6% nationally in April, to $81,100, which was 8.4% higher than the same period one year ago.

Although the resale pace was strong throughout the nation, the Midwest led the way with record-setting April activity. Sales of existing single-family homes in this region jumped 15.8% to 1.10 million units, seasonally adjusted, marking the first time the rate has been above the one-million-unit mark since October 1979, the NAR reported.

Compared to April 1985, activity in the Midwest soared 37.5%. Home prices appreciated just 2.8% from March, to $66,200, 13.2% ahead the period one year ago.

Activity was also strong in the South, rising 13% in April to 1.22 million units, seasonally adjusted, 7% higher than in the same month last year. Home prices, however, declined 1.3% to a median $78,500, but were still 5.7% higher than in April 1985 when the median cost of a previously occupied home was $74,300.

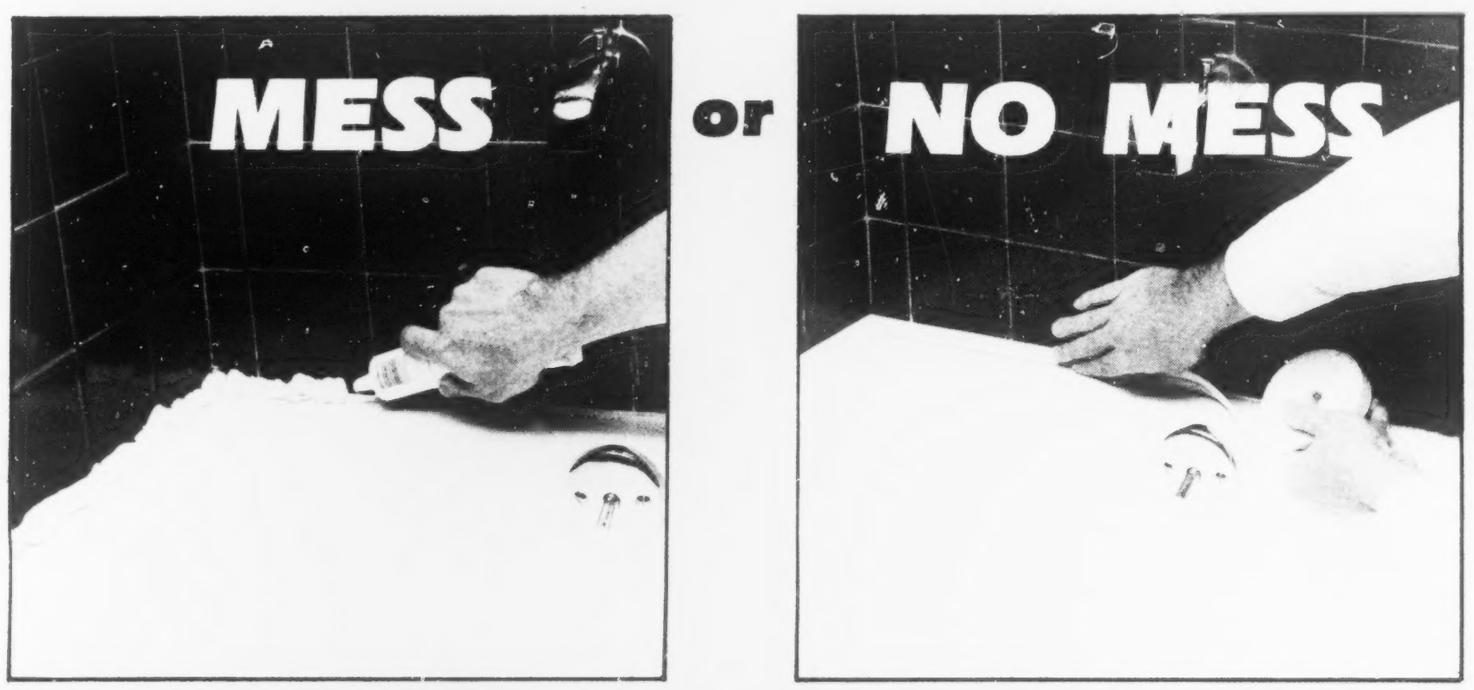
Home prices in the Northeast also rose modestly in April, by 2.7% to $104,700, but were still 19.1% ahead of last April's $87,900. The resale pace was very strong here, too, up 12.7% to 710,000 units, seasonally adjusted, 26.8% ahead of the 560,000 units recorded one year ago. The pace is being fueled by very strong resale activity in the Boston area, the NAR commented. There the resale pace is 30% ahead of last year.

Despite the absence of severe weather in the West in April, which stalled activity in February and March, sales of existing single-family homes remained steady. For the third consecutive month, the pace was 530,000 units, seasonally adjusted.

Median sales price
(in thousands of dollars)

	Apr.[p]	Mar.[r]	Feb.	Jan.
U.S.	81.8	79.8	77.4	77.1
Northeast	104.7	102.0	96.4	97.8
South	78.5	79.5	76.6	76.2
Midwest	66.2	64.4	62.1	60.0
West	100.4	97.1	95.5	95.5

[p]-preliminary [r]-revised
Source: National Association of Realtors



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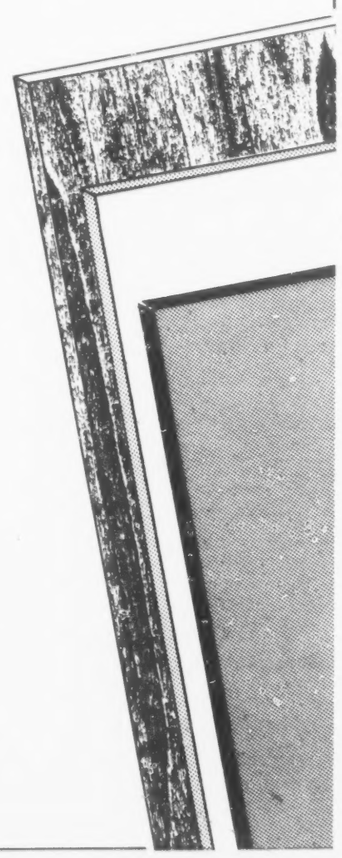

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LUMBER REPORT

Shake, shingle tariff rattles U.S./Canadian lumber producers

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT—Greg Hayes said it took just one day for him to realize that it will never be the same buying Canadian shakes and shingles again.

Hayes, a lumber buyer for the Miami-based Ray Tylander, a builder sales lumberyard, said the price of a square (a standard unit or bundle equal to 100 sq. ft. of product) of Canadian red cedar shakes and shingles had gone up 30%, from $51 a square to $68.

For a company that sells five piggyback trailer loads of Canadian shakes and shingles a month, or about 1,300 squares, the increase in the price of the product will be passed on to customers and promises to be jarring.

ITC claims 'crippling' effect

Tylander's was probably among the first lumber dealers to experience the effects of the 35% tariff the House of Representatives added to the U.S. Trade Act on the product, and which was half-heartedly endorsed by President Reagan. Since coming to office, Reagan had condemned protectionist-type tariffs and had promised Canadian Prime Minister Brian Mulroney in the winter that he would fight import duties on Canadian products.

The new tariff had its roots in a recent finding by the International Trade Commission (ITC) that imports from Canada were crippling the American wood shakes and shingles manufacturers.

Opponents of the new tariff, aimed specifically at red cedar shakes and shingles—95% of which are harvested and manufactured in British Columbia—said the duty will devastate the lumber industry in Canada, raise the cost of housing in the U.S. and will advance the cause of American lumber manufacturers who have been advocating a tariff on framing lumber exported from Canada.

Gus Kuehne, vp for the Northwest Independent Forest Manufacturers, an association comprised of Washington, Oregon, and Idaho cedar growers and processors and the prinicipal advocates of the import duty, hailed the tariff as a needed means towards making American products more competitive with Canada

Tariff covers five years

The new tariff on shingles and shakes is designed to be in effect for the next five years with descending rates calling for a 35% tax the next two and a half years, followed by 20% the next year and a half and 8% the last six months.

It is expected to go into effect June 1.

The import duty caught many industry observers off guard for two key reasons.

First, shakes and shingles, whose wood-grain hues in dark reds, yellows, browns, and tan add a distinctive touch to roofs and siding exteriors for those who could afford them, were already expensive items to build or remodel with. Now they are expected to be priced beyond the financial reach of most people. Before the tariff, wood cedar shingles sold at retail for between $65 and $70 a square, compared to asphalt shingles at $17 to $25 a square.

Secondly, research from a recent survey shows that if the tariff was erected to protect the American shakes and shingles industry, it's too late. According to Mike Westfall, assistant manager of the Red Cedar Shingle & Handsplit Shake Bureau—a manufacturing association that represents both Canadian and American producers—there is only a 25-year supply of cedar timber standing in the U.S., compared to a 125-year supply in Canada.

But Kuehne disputed those estimates, arguing that American cedar forests will last until 2020 and he further charged that a great portion of Canada's cedar stands are in inaccessible areas.

Westfall, who declined to comment on the retail pricing implications or market consequences of the tariff, said it takes more than 100 years before cedar trees can be harvested and processed for building materials. He said there has been reforestation of cedar stands cutting has but the amount of in the U.S., eclipsed the resources replenishment.

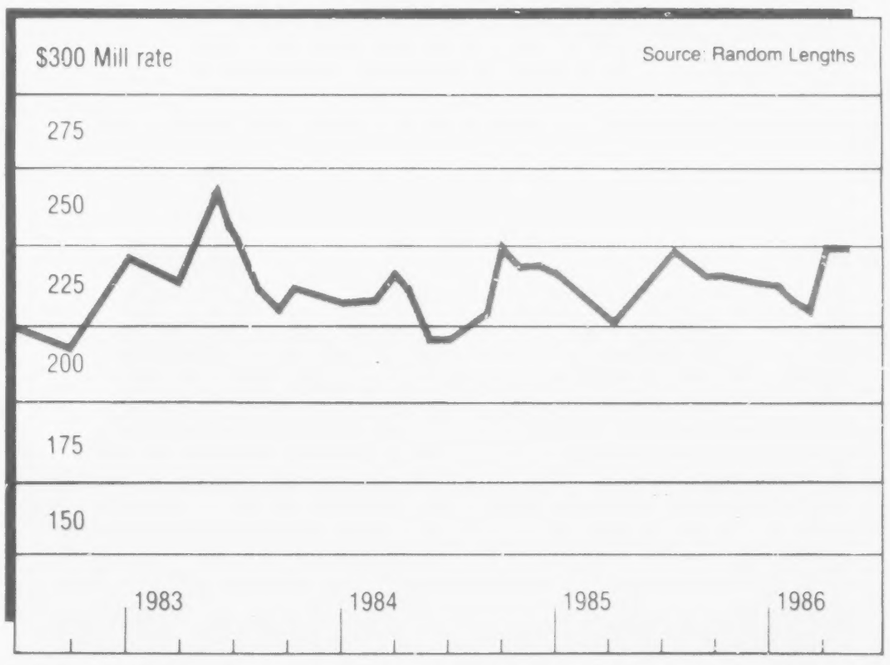
He said Canada harvests about 68% of the red cedar in North America, compared to 32% in the U.S., accounting for an industry that has averaged $250 million in sales for the past few years on 4 million squares of production. But he noted that 99% of Canada's production is imported to the U.S., all of it from mills in British Columbia.

(Continued on page 47)

Commodity close-up

Composite lumber/plywood price profile

(per thousand board feet)



Lumber and plywood price levels were flat during the month of April. For the second month, plywood was selling at $225 per thousand bd. ft. for a monthly average. The framing lumber average surged up by $3 from a March average of $229 per thousand bd. ft. to $233 in April.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended May 22, 1986

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
July '86	180.20	166.50	166.70	179.30	3,882	190.90	144.00
Sept.	173.20	162.00	162.60	172.60	1,347	182.40	145.50
Nov.	166.90	158.20	159.00	166.00	1,064	174.50	146.00
Jan. '87	170.00	162.00	163.00	170.80	291	175.00	150.00
March	171.00	162.50	164.10	170.50	167	175.50	153.00
May	170.50	163.20	163.20	170.50	43	173.00	160.00
July		No	Trading				

Total Contract Vol. (Through5/22): 23,213 **Previous Two Weeks: 23,049**
Total Open Interest (As of 5/22): 6,812 **Previous Week: 8,548**
Cash Price: $179.34 **Previous Week: $185.22** **Year Ago: $169.54**

CME—Chicago Mercantile Exchange
*Figures for Thursday, May 22
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Scotty's enters electronic age at Florida conference

(Continued from page 1)
professionals, and suppliers from this young, venture capitalist-funded industry.

Scotty's, the 128-store, Florida chain, has entered into a partnership with Owens-Corning Fiberglas, the building material supplier; P-O-P Video, a San Antonio firm that will supply the laser disc players and produce the product videos; and Moore-Symons, an Atlanta research firm that will help Scotty's evaluate the program.

"We are information driven," said Dave Bryant, Scotty's vp/sales promotions manager. "We see this as an integral part of the info desk in our new format stores."

The kiosks will be tested in 10 stores this fall, said Bryant. Some 15 vendors are lined up to co-sponsor different how-to segments on the video disc. If the test proves successful, based on incremental sales increases and both customer and store employee response to the new system, Scotty's will it roll out chainwide.

Scotty's joins other home centers that have tested in-store, electronic info systems:

- Rickel, South Plainfield, N.J., has been using a How-To Genius from LaserMedia in its 42 stores. Rickel's president Chuck Davis told *NHCN* that the chain was looking to enhance the Genius.
- Builders Emporium, in Irvine, Calif., earlier this year rolled out a highly interactive touch-screen laser disc kiosk in all 63 of its outlets. BE's system was hailed at the conference by Thomas Rauh, Touche Ross' national services director for retail consulting, as one of the foremost examples in all retailing for providing shoppers with product demos as well as adding to existing information services, such as the chain's Pop Larsen telephone answerman.
- Home center and hardware firms now using a smaller version of the P-O-P terminal to be utilized by Scotty's include Bering's, Elliott's and Stripling Blake, in Texas; Builderama, Savannah, Ga.; and All American, Downey, Calif.

While Bryant and Bill Matthews, director of marketing and merchandising for Lanoga Corp., were the only retail home center executives in attendance, many of the 26 exhibitors at the conference indicated to *NHCN* that they were involved in active negotiations with a number of other building supply retailers whom they couldn't identify.

Lanoga, the Seattle company that owns United Building Centers, Lumbermen's and Spenards, hopes to test an electronic shopping system by 1987, said Matthews.

Both Matthews and Bryant felt that manufacturers, already facing unprecedented demands from retailers on their pricing and co-op advertising policies, can't be expected to bear the full costs of these systems.

Glenn Osborn, marketing communications manager for Owens-Corning's interior products operating division, foresees the rise of "information wholesalers," third-party operators who traffic video and computer data between manufacturers and retailers. Significantly, says Osborn, these third-parties would carry the capital costs of the system, owning it and paying for it out of revenues from manufacturers and retailers.

Rauh feels that electronic shopping has excellent potential. He predicted the number of suppliers in the industry will grow from last year's 200, to 300 by the end of this year, and hit 400 by 1990. He also predicted the number of installed systems to increase from 15,000 last year to over 30,000 by the end of this year, and to over 100,000 by 1990.

FCC rules on radio signals from garage door openers

(Continued from page 1)
the three biggest manufacturers of these products. He added that the retail cost of the units would probably rise $30 to $50 to about $200.

"The financial implications are terrifying," asserted one industry manufacturer."

The FCC's goal is to stop radio interference emitted by the openers from affecting other frequencies, particularly in "forbidden bands," reserved for specific other purposes, like radio navigation and radio astronomy.

Robert Bromery, deputy chief of the authorization and evaluation division of the FCC, which administers all equipment authorizations, said, "these devises are generating a lot of interference or have the potential for interference" in certain forbidden bands above low levels the FCC has deemed acceptable.

The FCC contends that the new rules should prevent potential interference problems for government aviation equipment, noting that there are no reported incidents of such interference, "And there better not be," asserted Bill Gamble, deputy associate administrator in the office of the spectrum manager at the National Telecommunication and Information Administration (NTIA). This worsens as the numbers in use increase.

DORCMA contends that the new FCC rules are too strict and would mean that manufacturers would have to retool their plants and develop the technology to meet the requirements, because, they claim, it currently doesn't exist—a statement disputed by a components manufacturer.

Retooling, the association contends, is expensive and would take the larger companies between two and three years to complete and could wipe out many smaller firms.

Bromery of the FCC said the issue should be settled within the year.

The tug of war between the FCC and DORCMA started Sept. 1, 1983, when the FCCtried to strengthen the garage door opener codes.

The rules have yet to be enforced because DORCMA and the Security Equipment Industry Association won a stay of the new code soon after that date. Manufacturers have been operating under that stay ever since.

Separate discussions among various parties have been held over the last several years, but the most recent one, held on May 23 in Washington, where all the parties met together to discuss the codes.

The FCC permits the garage door opener industry to operate freely within certain radio frequencies. They are not allowed, however, to emit any interference, but must accept emissions from other frequencies, sources explained.

Home center dealers expect strong '86 after turning in mixed first qtr. results

(Continued from page 1)
increase in earnings, and Hechinger a 29.3% increase.

"Lowering of interest rates has caused the highest rate of existing housing turnover we've seen since 1977-78," said Stephen A. Lightstone, cfo of Payless Cashways, Kansas City, Mo. "For us, that has to be positive."

Payless, which will report its second quarter earnings in mid-June, said that for a five-month period ended April 30, sales rose 12% to $563 million, and same store sales rose 7%.

Bo Cheadle, the analyst covering the industry for Montgomery Securites, San Francisco, noted that low interest rates, housing turnover, and mortgage refinancing should together spur a rebound in the industry.

Beyond the external economic factors, home centers should also benefit from changes now underway in the industry itself, said Cheadle. "Price competition has eased dramatically in the past six months," he said.

Chains are competing less on price now, resulting in an upswing in margins and on the bottom line.

The biggest surprise during the quarter was the earnings report from The Home Depot, the Atlanta-based chain that has benefitted from the phenomenon Cheadle described. Gross margins there went up 300 basis points. Bernard Marcus, chairman, noted that the chain has redirected its efforts away from opening new stores, and toward better monitoring of merchandise performance, and retraining store personnel.

Hechinger reported gross margin increases of 100 basis points, to bring about the second-best earnings results in the quarter among the public companies that have already reported their results.

Another surprise was the 4% earnings decline reported by Lowe's, based in North Wilkesboro, N.C. The company attributed the decline largely to its stores in depressed Texas and Oklahoma

Scotty's, another southern chain, reported a 17.5% drop in earnings. The company said that builder business was picking up and that April had been the best month in two years for the chain.

Chains in the Midwest and northern states seemed to report better results than did those in the South. Wolohan Lumber reported a 20% increase in same store sales, and a 22% increase in sales to $28.1 million for the quarter that ended March 31.

Erb Lumber, Birmingham, Mich., reported a 30% increase in sales, to $35.1 million for the quarter. Like Wolohan, Erb reported a loss for the three-month period. Both companies generally do so for the year's first quarter.

Lloyd Home Centers, the chain of 35 stores based in Danbury, Conn., reported that sales were running 5% ahead of budget for the first five months of this year.

Performance Analysis First Quarter Ended 4-30-86

	Same Store Sales (% increase)	Total Sales ($ million)	Change From Prior Period (%)	Earnings ($ million)	Change From Prior Period (%)
Color Tile	3.1	97.9	8.0	3.4	8.2
Hechinger	2.0	136.9	19.5	4.9	29.3
Handyman	3.6	62.6	0.8	– 0.2	*
The Home Depot	2.0	222.6	53.5	5.1	164.2
Lowe's	8.0	534.0	18.1	11.4	– 4.2
Scotty's	2.0	128.4	5.5	4.1	– 17.5
Standard Brands Paint	– 8.0	77.8	– 3.8	3.3	– 31.2
Wolohan	20.0	28.1	21.9	– 0.1	63.9

The three-month period ended around March 31 for Color Tile and Scotty's.
*Profit of $2.5 million, for the same quarter in 1985. Handyman's quarter ended April 19.
Source: Company reports. *NHCN* chart.

Hechinger, Home Depot and Wolohan experienced high earnings gains in the year's first quarter. Wolohan's same-store sales boost was due to economic conditions in its Midwest trading area.

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Court defers Evans reorganization decision

Mulls objections, 12 pages of changes

By John Caulfield
NHCN staff editor

MIAMI — U.S. Bankruptcy Court Judge Thomas C. Britton has reserved judgement on confirming a plan of reorganization for Evans Products and seven subsidiaries that have been in Chapter 11 for 15 months.

The plan under consideration was devised by the company's bank lenders. The banks received overwhelming support for their plan from Evans' trade creditors, 84% of whom voted in favor of this proposal during a balloting period that ended June 10, according to Mark Kaufman, an attorney for the trade.

A competing plan, submitted by the company, has not received sufficient creditor class voter support to be confirmed. Two days before the June 20 confirmation hearing, Evans filed an objection to the banks' plan, claiming it was unfair to exiting shareholders and overly generous to the lenders and the trade in its payback formula.

The company's noninsider stockholders filed a separate objection to the banks' plan, claiming that the true valuation of the new common stock would give the banks $50 million more than their $513.3 million in claims against the company.

Only a few months earlier, the noninsiders were in the banks' camp agreeing to a compromise reorganization plan that ultimately was shot down by Evans' board of directors as being unfair to all shareholders, especially the

(Continued on page 81)

Handy Andy stealing Chicago spotlight

Mr. HOW workers get 1st crack to retain jobs

By Donald Longo
NHCN staff editor

CHICAGO — As many as 500 current employees of Mr. HOW Warehouse will be given first priority to retain their jobs when Handy Andy assumes full ownership of the five Mr. HOW stores here on July 1.

The stores, which are slated to be remodeled and remerchandised into the Handy Andy format by next spring, have operated under a joint management agreement between their former owner, Service Merchandise, and Handy Andy since a sale agreement was signed June 4.

A sixth Chicago market Mr. HOW site, a 79,200-sq.-ft. store being built in Lansing, Ill., will open as a Handy Andy Home Improvement Center, according to Ron Rashkow, chairman of the Gurnee, Ill.-based chain.

This purchase gives Handy Andy far greater penetration into markets with closer proximity to the inner city of Chicago. In addition, Handy Andy has, to some degree,

(Continued on page 81)

'It was no secret Service was talking to everybody,' says Ron Rashkow, on how Handy Andy beat numerous suitors for Service Merchandise's Chicago Mr. HOW units. NHCN photo

Erb Lumber to acquire Peter Kuntz

By Phillip M. Perry
NHCN staff editor

BIRMINGHAM, Mich. — Erb Lumber, the $190 million chain of 26 building materials stores, signed a letter of agreement June 17 for the purchase of Peter Kuntz Building Centers, based in Dayton, Ohio.

The purchase is for all of the assets of PK, which includes 21 building materials stores and two wholesale distribution centers. Last year, PK reported revenues of $54 million.

(Continued on page 82)

Plywood Ranch comeback trail features first profit in four years

13-unit Plywood Ranch hopes to add two units before the end of the year. The Braintree, Mass., chain is attempting to carve a niche as New England's small-town, small-store home center. NHCN photo

By Milford Prewitt
NHCN staff editor

BRAINTREE, Mass. — Plywood Ranch appears to be on a roll.

The besieged Northeast home center chain that in the past few years saw its 30 units, many of them franchises, whittled down to just 13 has turned a profit for the first time in four years.

Although sales in 1985 were about $13 million, $5 million less than 1984, R. Lee Tussing, vp, one of the new owners who took over 15 months ago, insisted that from a March-to-March perspective, Plywood Ranch is "black on the bottom line."

"We think it's a dramatic turnaround," he said, "brought about mostly by cutting down on advertising and

(Continued on page 82)

AHMA meeting confronts tax, trade, liability issues

By an NHCN staff editor

WASHINGTON — Tax reform, trade and product liability were the three main topics of discussion at this year's Government Relations meeting, conducted here by the American Hardware Manufacturers Association (AHMA) June 4 and 5.

At that meeting, which brought together a small group of leading hardware suppliers, the AHMA's nine-man government relations committee also drafted a 16-page, eight-section trade policy which the association would use to lobby Congress. A completed document was expected sometime around July 4.

Sheldon London, AHMA's general counsel and chief lobbyist, explained that this position paper, a revision of one that was written in 1984, states that copyright and trademark infringement "has hurt the reputation of the American manufacturer."

The paper asserts that where counterfeiting is detect-

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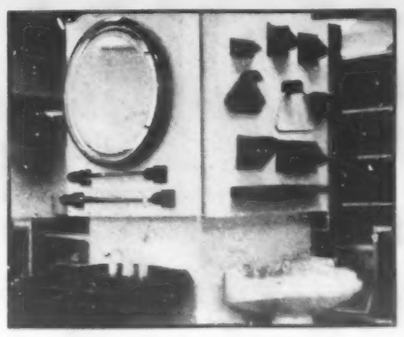
INSIDE

Perspectives: Fashion-oriented merchandising strategies add style and result in higher margins for many home center companies. **21**
Ad fund furor: Dealers' advertising fund demands irk industry suppliers. **3**



Ad & Marketing: Home centers spent $37.8 million on TV ads in 1985 in the top 25 home center markets, a 47% increase over 1984. **53**
Systems & Operations: Scotty's unveils its new $4.5 million warehouse facility. **56**

NEWSBREAKS

LOWE'S OK's SHARK REPELLENTS: Shareholders approved three takeover protection measures at Lowe's annual meeting June 16. The measures call for a new class of preferred stock, a staggered board of directors and price protection in the event of a two-tiered hostile takeover attempt.

ORCHARD AUTOMATES: Orchard Supply Hardware approved a $2 million contract in mid-June to tie together its 21 hardware stores in north California via an on-line network.

INDUSTRY UPDATE

Strikes halt McCormick work

CHICAGO — Officials of the National Hardware Show met with Illinois Governor James Thompson June 18, to ask for help in settling labor strikes that threaten use of the McCormick Place expansion for the August show.

Trade union contracts expired June 1, which disrupted the schedule for completion of the two-floor complex.

"The unions have a gun to our head," said a spokesman for McCormick Place.

A spokesman for the American Hardware Manufacturers Association said if the upper floor of the expansion isn't ready for the August show, 1985 exhibitor space assignments will be used.

Lawn and garden and outdoor living and power vendors were slated for the upper floor of the expansion.

Talks with sheet metal and heavy equipment operators' unions broke down June 16, halting virtually all construction at McCormick Place and other Chicago sites.

In the first week of June cement masons and roofers picketed the site, preventing other trades from crossing. Due to the labor delays and troubles, Hardware Show officials had earlier scratched use of the new facility's lower floor.

The National Hardware Show is scheduled to take place Aug. 10-13.

New Somerville hits sales mark

PELHAM, N.H. — Somerville Lumber's new store here, which had its grand opening Sunday, June 1, garnered $483,000 in sales during its first week of operation, setting a new company record, according to Harold Cohen, president. The previous record was held by Somerville's West Bridgewater, Mass., store, which opened last August and reported sales of $434,000 in its first week. For the grand opening week, which ended June 7, Cohen said that Somerville Lumber was ahead 61% in total sales. The Somerville, Mass., store, the company's headquarters outlet, did $1.087 million for the week compared with $945,000 a year ago. West Bridgewater was up 55% to $774,000 for the week and the Westboro, Mass., store reported sales of $554,000, which was 34% above the prior year.

Georgia adopts new bldg. code

NATIONAL REPORT — Georgia became the first state to adopt the 1986 Council of American Building Officials' (CABO) one- and two-family dwelling code, which includes the new plumbing provisions sponsored by the National Association of Home Builders (NAHB).

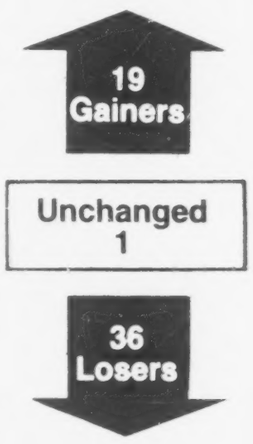
The CABO codes, which Georgia adopted in May, are designed to help builders construct more affordable homes without sacrificing quality.

Adoption of the new codes means that now all jurisdictions currently operating without building codes must build their units in compliance with the CABO code, which now includes the new plumbing regulations.

The controversial new plumbing codes (*NHCN*, March 10, 1986) allow for more liberal use of plastic plumbing in the construction of new homes. It also changed some of the requirements for the installation of drain and waste piping and venting in the units, changes that are estimated to save $500 or more on the cost of construction, according to the NAHB.

Price losers outpace winners

NEW YORK — Price losers outnumbered winners, 36 to 19, during the two-week period ended June 13, according to *NHCN*'s Market Summary of 56 home center industry companies. But, fueled by the previous two-week period's price activity, the Home Center Retailers Index climbed to a 52-week high of 142, nearly 50% above those companies' aggregate market value a year ago.



Erb Lumber, up 8.8% to $77, led the retail stock gainers.

Retailers with the biggest drops were Homecrafters Warehouse, now in Chap. 11, and Michigan General, Diamond Lumber's parent which lost $26.5 million in its fiscal year ended Dec. 31.

See financial tables, page 80.

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Tool retailer changes moniker; pursues aggressive expansion

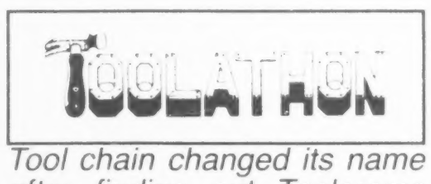
By Elizabeth Brent
NHCN staff editor

TOTOWA, N.J. — TOOLARAMA, the specialty tool chain which opened with three stores last September, is persisting with its expansion plans and undergoing a name change.

The company is changing its name to TOOLATHON to avoid a possible legal dispute, according to Ken Kwit, president and owner. It discovered that another company had registered TOOLARAMA as its trademark 25 years ago.

TOOLATHON is pursuing its aggressive expansion policy to build a network of 3,500-sq.-ft. stores in the northern area of New Jersey.

Since opening three stores in Paramus and Woodbridge, N.J., and Nanuet N.Y., last September it now has six in operation. It is currently negotiating leases on four additional stores in Union, Middletown, East Brunswick and Watchung, N.J. Plans call for these stores to open by mid-September, bringing the chain's total to 10, with possibly 10 more slated for 1987.



Tool chain changed its name after finding out Toolarama was already registered.

Kwit estimates that 1986 sales per unit will be between $750,000 and $1 million.

TOOLATHON operates in leased units in strip shopping centers. Its concept is to provide the professional and serious DIYer with a convenient and accessible store to buy power and hand tools. Each store has approximately 5,000 sku's and emphasizes service.

"We don't have to locate in the highest retail traffic area because of the leverage of our advertising," said Kwit. The company has just begun experimenting with full-page ads in the New York *Daily News*. It runs regular print ads in the New Jersey daily and weekly papers, and is continuing with its direct mail circulars.

TOOLATHON recently moved its head offices, including its retail showroom, to an 11,000-sq.-ft. building in Totowa, N.J., the company's only freestanding site. Totowa provides office and warehouse space in addition to storing a mainframe IBM computer.

Floods ravage Pittsburgh yard

By Milford Prewitt
NHCN staff editor

ALLISON PARK, Pa. — The flash floods that laid waste to the suburbs north of Pittsburgh in late May and left eight persons dead also devastated a well-known, old-line contractor lumberyard and home center that had operated here for 80 years.

Auld Brothers Lumber, a 40,000-sq.-ft. home improvement complex that included two acres of lumberyard with six T-sheds sustained close to three-quarters of a million dollars in damage when a nearby creek overflowed its banks and literally washed away the lumberyard and flooded their basement warehouse.

John P. Auld, president and gm of the company, said the rain creating the flood was strong enough to fill the basement warehouse to the ceiling in less than an hour.

Auld estimated that the company lost $500,000 in inventory, mostly in lumber and hardlines stocked in the basement, and another $200,000 in operating equipment including office furniture, carpeting and business machines. Two forklifts and four trucks were buried under ensuing mudslides which also carried some unidentified cars into Auld's parking lot.

"There were a lot of strange cars out there," he said.

"And, I've had a mechanic here for 24 hours trying to get the forklift repaired," Auld said.

He said, since the store was fully staffed and busy with shoppers at the time of the flooding, it was "a miracle" that no one was injured or killed on the premises.

The force of the flood tore a hole in a concrete block wall of the showroom.

Auld said competitors, vendors and his insurance companies have been cooperating to help the company rebound from the catastrophe.

Since the flood, Auld said the company has been able to salvage what inventory was left and operate from a second store just few miles away.

Two-unit independent set to blitz Maine

By an NHCN staff editor

EAST HAMPSTEAD, N.H. — The owners of East Coast Lumber, the two unit independent with 1985 sales of $37 million, are entering the Maine market in force.

Martin Feur, president of East Coast Lumber, and Peter Lewis, vp, also operate a holding company, that is set to acquire Maine Lumber in Portland.

As East Coast Lumber, they have already bought three sites in Maine, and will open their third store this year and two the following year.

East Coast Lumber recorded a sales increase of 54% between 1984 and 1985 and is directly geared to the builder business, which accounted for 84% of its total revenue in 1985. Feur estimated that 1986 sales from its two New Hampshire units alone will total $62 million.

The purchase of Maine

(Continued on page 81)

Rocky's eyes Connecticut market

By an NHCN staff editor

SPRINGFIELD, Mass. — Independent Rocky's Hardware & Home Centers will open its eighth store in late August in Holyoke, Mass. This will then give the privately-owned company a complete ring of stores around the town of Springfield.

Rocky's, which generated sales of $12 million from its seven units in 1985, will speed up its expansion plans and open one store a year in the future, according to James Falcone, president.

It will switch its focus from western Massachusetts to the Connecticut market, and is looking at prospective sites north of the Hartford area.

A major factor in the acceleration of its expansion program has been the help from its buying group, Ace hardware Corp., based in Oak

(Continued on page 5)

Rocky's president James Falcone: growth accelerated.

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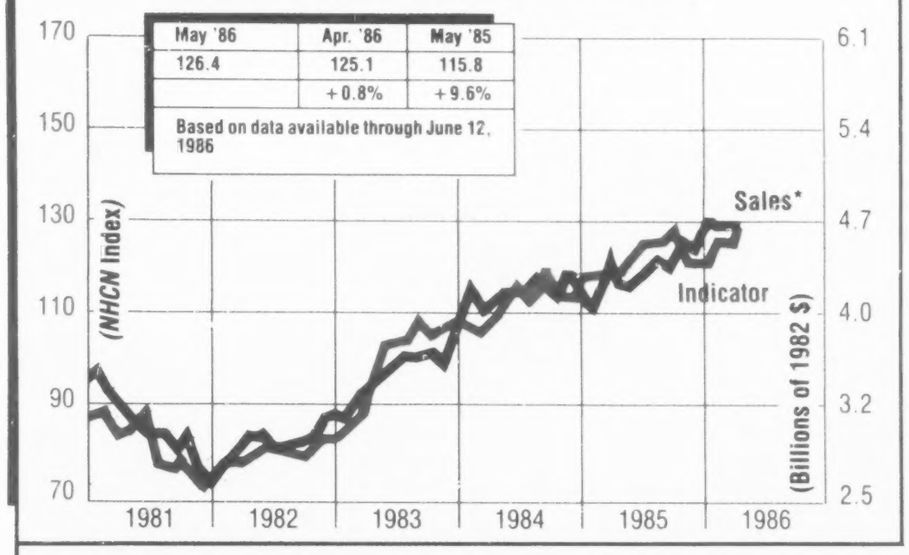
BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials and supplies in 1982 $.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

The NHCN Leading Indicator rose 2.3% in May from the prior month due to the strength in resales in the fourth quarter of last year. Based on the level of activity in starts, resales, income, and interest rates in the first quarter of 1986, the leading indicator should rise an additional 4% through September.

Aging population to spur boom for building material industry

By Richard Mount
Special to NHCN

Building material sales will be one of the stronger growth markets in the economy through 1989. After the 15% gain for 1986, in dollar volume, building material sales increases will average 9%. After removing inflation, sales will rise 11% this year and average 4% during 1987 to 1989.

Economics

During the next four years, real GNP will expand 3% annually, and will do so without undergoing a recession. The pressures against growth that typically develop at this stage of the recovery—inflation, manufacturing capacity utilization and interest rates—are tamed.

Richard Mount

Inflation in consumer prices has dropped to a 2% rate in 1986 and will rebound to only 4% in the future. Ample capacity exists in the economy. The gap between interest rates and inflation remains high. Efforts to reduce the federal deficit will lower this gap, bringing interest rates down.

Aging

The average age of the population is getting older as the postwar baby boom enters middle age. Building material sales benefit from this aging.

Home repairs become a hobby and experience with one project often encourages a larger one at a later date. Incomes of an older population are higher, making major additions to current homes more affordable. Family size and housing needs rise. These families are spenders and bor-

(Continued on page 13)

Home Center Industry—General Business Outlook

	1985 QII	1985 QIII	1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)	116.0	121.0	123.4	124.1	126.4	130.9	135.0	138.0	118.5	129.1	139.3
General Economic Outlook											
GNP $1982 Billion	3,557.4	3,584.1	3,590.8	3,623.5	3,643.1	3,675.6	3,715.8	3,741.7	3,570.0	3,664.5	3,779.3
Real Disposable Income $1982 Bil.	2,532.2	2,503.1	2,517.1	2,553.1	2,583.4	3,593.7	2,615.4	2,618.5	2,508.8	2,836.4	2,637.8
Housing Permits (000 SAAR)	1,731	1,762	1,741	1,834	1,850	1,825	1,790	1,735	1,739	1,767	1,724
Housing Starts (000 SAAR)	1,743	1,688	1,773	1,988	1,950	1,900	1,830	1,775	1,742	1,917	1,764
New Home Sales (000 SAAR)	681	711	696	789	775	800	775	750	686	783	735
Resales (000 SAAR)	3,043	3,360	3,500	3,257	3,550	3,600	3,570	3,450	3,216	3,494	3,438
Prime Rate %	10.2	9.5	9.5	9.4	8.6	8.0	8.0	8.5	9.9	8.5	8.5
Mortgage Rate % (HUD)	12.9	12.1	11.8	10.8	9.3	9.3	10.3	10.5	12.5	9.9	10.4
Consumer Price Index (1967 = 100)	321.1	323.0	326.5	327.7	326.7	329.2	331.9	335.1	322.1	328.9	340.2
Producer Price Index (1967 = 100)	293.8	293.1	296.4	292.2	287.6	287.9	290.1	293.6	293.9	289.5	299.1
New Housing Affordability 1980 = 100	112.6	119.3	119.3	126.5	137.3	135.8	125.0	121.6	116.2	131.2	122.5
Residential Alterations and Repairs											
Current Total $ millions SAAR	70,400	77,500	73,885	75,928	78,356	81,269	83,516	85,075	76,671	79,767	85,594
Maintenance and Repair	32,400	32,700	32,378	33,572	34,610	35,666	36,740	37,469	33,695	35,147	37,965
Additions and Alterations	25,600	29,500	27,556	27,745	28,637	29,633	30,288	30,591	28,089	29,076	30,635
Major Replacements	12,400	14,300	13,950	14,612	15,109	15,970	16,488	17,015	14,638	15,545	16,993
Constant Total Millions $1977 SAAR	40,975	44,866	42,900	43,650	44,600	45,800	46,600	47,000	44,620	45,163	46,588
Maintenance and Repair	18,858	19,179	18,800	19,300	19,700	20,100	20,500	20,700	19,672	19,900	20,663
Additions and Alterations	14,900	17,300	16,000	15,950	16,300	16,700	16,900	16,900	16,400	16,463	16,675
Major Replacements	7,217	8,387	8,100	8,400	8,600	9,000	9,200	9,400	8,548	8,800	9,250
Retail Trade Activity											
Current Total $ Millions SAAR	1,369,400	1,399,296	1,388,316	1,402,856	1,427,173	1,470,054	1,502,536	1,525,418	1,373,941	1,450,655	1,561,366
Total Minus Automobile	1,055,360	1,066,248	1,082,244	1,094,064	1,106,216	1,132,553	1,160,409	1,179,804	1,061,148	1,123,310	1,210,140
Building Material, Hardware, Garden Supply, Mobile Home	73,280	74,328	78,024	83,736	83,297	84,349	85,637	88,274	74,062	84,255	90,179
Building Material and Supply	53,512	53,736	56,976	60,944	61,005	62,165	63,008	65,050	53,841	61,781	66,655
Hardware	10,912	11,116	11,572	11,428	12,125	12,301	12,480	12,817	11,092	12,084	13,097
Constant Total Millions $1982 SAAR	1,279,412	1,307,324	1,286,256	1,300,556	1,310,000	1,336,000	1,352,000	1,359,000	1,282,971	1,324,639	1,370,250
Total Minus Automobile	993,124	1,003,052	1,007,676	1,022,879	1,024,000	1,038,000	1,053,000	1,060,000	996,515	1,034,470	1,071,000
Building Material, Hardware, Garden Supply, Mobile Home	69,827	70,833	73,628	77,774	76,600	76,800	77,200	78,790	70,244	77,094	79,290
Building Material and Supply	50,990	51,209	53,765	56,604	56,100	56,600	56,800	58,060	51,055	56,526	58,605
Hardware	10,398	10,593	10,922	10,614	11,150	11,200	11,250	11,440	10,512	11,054	11,515
Building Materials % of Total Less Automobile ($Current)	5.07	5.04	5.26	5.57	5.51	5.49	5.43	5.51	5.07	5.50	5.51

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 12, 1986.

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Aging population to spur building material boom

(Continued from page 12)
rowers; savings for retirement still has a low priority in financial planning.

Incentives

Incentives for remodeling over relocating are rising. The older population is more settled in careers, and the growth of dual professional families makes moving difficult. Appreciation in housing has fallen to 7% annually, down from 14% in 1978 and 1979. Homeowners, at the national level, will not trade up as easily as in the late 1970's.

Proposed changes to income tax laws, if enacted, will be beneficial to building material sales. The reduction in marginal tax rates lowers the deduction for interest on mortgages and propoerty taxes.

Moving to larger homes becomes more expensive on an after-tax basis. On the positive side, reductions to marginal tax rates make remodeling less expensive. The Packwood Bill (i.e., the tax reform proposal coming out of the Senate Finance Committee) would lower the real cost of consumer purchases as households will take home more of each extra dollar of income.

Building material and supply store sales will remain strong through 1989. After increasing 11% in real volume in 1986, sales will advance 4% in subsequent years. Growth will be stronger than GNP. Changes in economics, aging and incentives for remodeling support higher demand and affordability for these products.

While the economy remains strong and the weakness in housing is limited to multiunits, building material sales will be strong.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

National's net slips, store, ad costs cited

By an NHCN staff editor

FOUNTAIN VALLEY, Calif. — Increases in ad expenditures and the cost of opening four new stores in 1985 resulted in National Lumber suffering a net loss of $582,089, or 10¢ per share, for the first quarter ended April 30.

The 19-unit chain had a slight increase of 4% in sales for the period to $32,586,777. Earnings for the same period a year ago were $176,791. First quarter figures were reported by the company on June 12.

Mel Jaffe, National's president, blamed the earnings plunge on opening and operating National's newest units in Encinitas, San Bernardino, Fullerton and Fontana, Calif. These stores were responsible for the 25.1% increase in selling and general administrative costs for the chain in the first quarter. Jaffee also asserted $800,000 of National's pretax loss in the first three months of 1986 came from preopening expenses of these stores.

A third factor that impacted negatively on the company's bottom line was the 44% increase in net advertising expenses and a 120% jump in insurance costs incurred by National during this quarter.

Through the first three months of 1986, National has boosted its gross margins 1.4 percentage points to 28.6%. He also noted that the company, because it has no stores scheduled to open the rest of the year, will be able to concentrate on "increasing sales and profitability."

Rickel sales soft, earnings lower

By an NHCN staff editor

WOODBRIDGE, N.J. — Supermarkets General Corporation reported record first quarter sales and earnings results, despite soft sales and lower profits from its Rickel Home Center division.

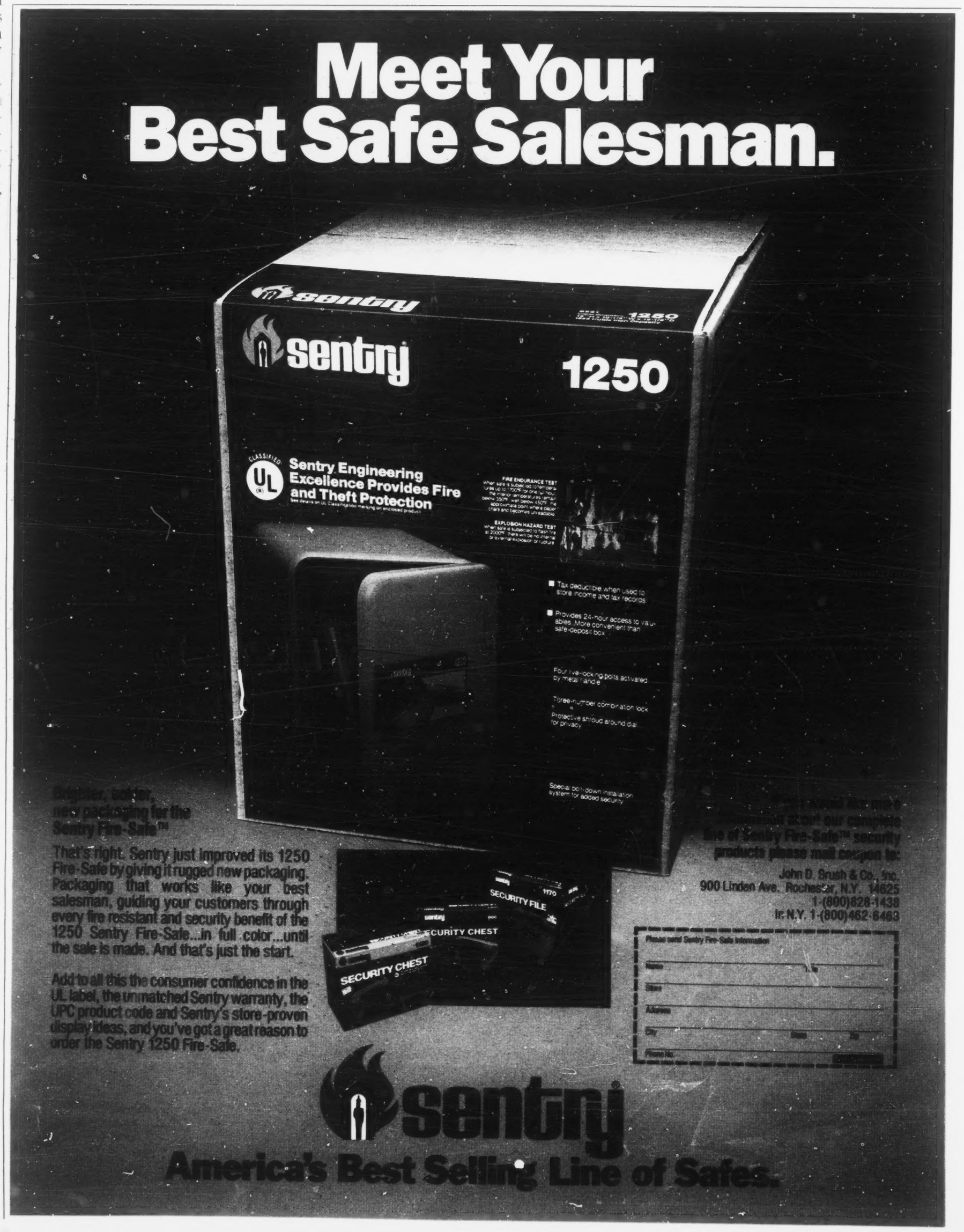
The corporation, whose principal operations consist of the Pathmark and Purity Supreme supermarkets and drug stores, recorded net earnings of $12.3 million, up 4%, for the first quarter ended May 3. Earnings per share were 67¢, compared to 66¢ for the comparable period in 1985. Sales were up 10% from the prior year to $1.34 billion.

The company included the operating results of Angelo's Supermarkets, which was acquired Jan. 31, 1986. Excluding Angelo's sales from the three-month period, Supermarkets General's sales would have risen 6%.

"Taken as a whole, we are pleased with our first quarter performance, which was achieved in a soft retail environment," said Leonard Lieberman, president and ceo. "Operating profit comparisons, however, were unfavorable in the Purity Supreme and Rickel businesses."

Rickel's sales increased 2% to $90.6 million, but operating profit contribution declined due to soft sales and higher expenses as a percent of sales, according to Lieberman. At quarter's end, Rickel had 42 home centers in operation and four new home centers under construction.

Supermarkets General also took a LIFO inventory charge for the first quarter which reduced pretax earnings by $1.1 million compared with a $2.3 million reduction last year, reflecting expectations that product costs during 1986 will be flat. Supermarkets General also noted that average shares outstanding increased, due principally to the sale by the company of 1.2 million shares of common stock on April 9, 1986.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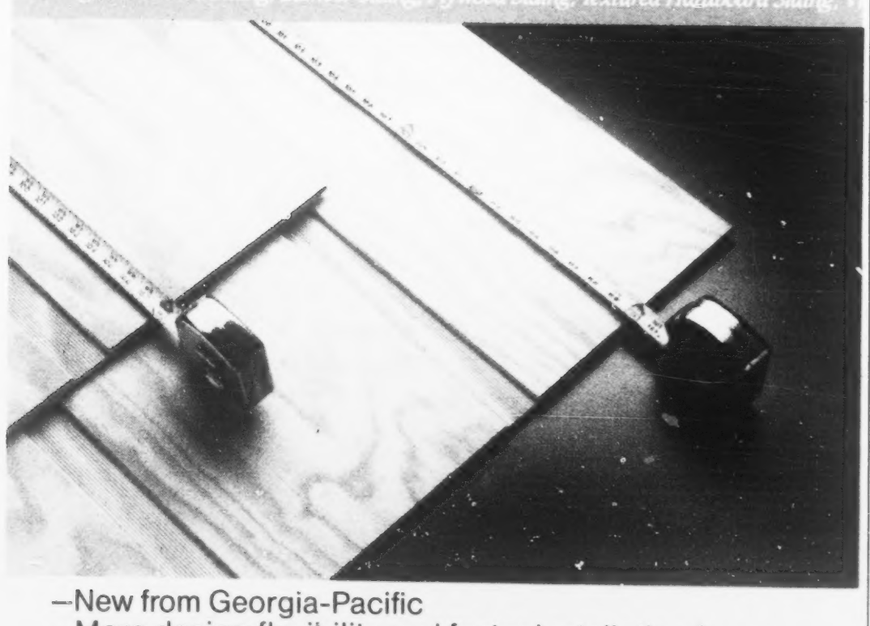

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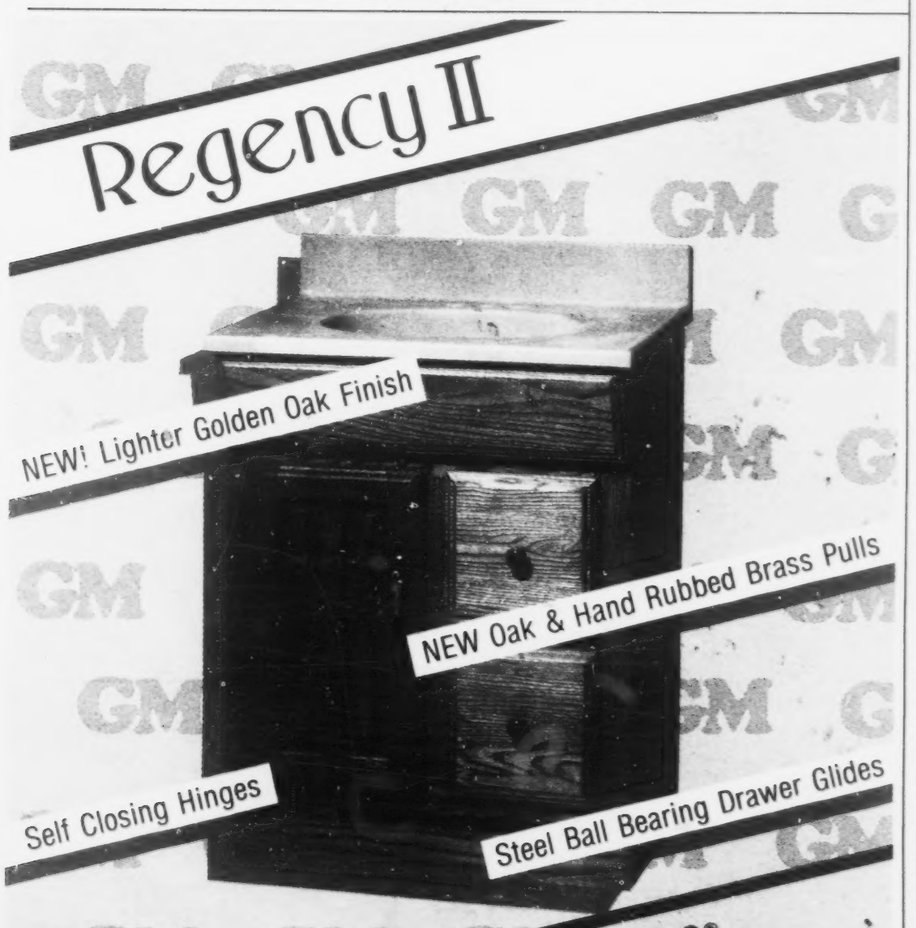

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LUMBER REPORT

Lumber execs see U.S. nearer to Canadian softwood duty

By Hawk Furman
Special to NHCN

The United States coalition for Fair Lumber Imports filed a petition with the International Trade Commission (ITC) on May 19 for a countervailing duty .

A 27% duty is sought on Canadian softwood lumber, siding and flooring products. Fence which was included in the 1982 petition was excluded from the current petition.

The U.S. lumber manufacturers who lead the coalition contend that the Canadian government subsidizes the stumpage price to Canadian producers which gives them an unfair cost advantage.

A similar petition filed in 1982 was unsuccessful. The U.S. Commerce Department ruled in May 1983, that "imports of Canadian lumber, shakes and fence are not being subsidized by Canadian federal and provincial governments." The results of this current petition drive could be very different.

Even some key lumber executives in Canada feel that there is a duty in the making. According to *The New York Times*, "Peter Bentley, chairman of the Canfor Corporation, a major Vancouver-based lumber producer, recently said he expected a 'nominal tariff.' " Mike Apsey, president of the Council of Forest Industries, located in Vancouver, points to reinterpretations of trade laws by the Commerce Department.

Couple this with the current Omnibus Trade Bill passed by the House Ways and Means Committee, which if passed by Congress would make it easier to impose a tariff, and you get the feeling that the 1983 decision by the International Trade Administration might not hold up in 1986.

President Reagan, a free trade advocate, had to compromise to get his way on the "fast track" free trade talks with Canada.

It is ironic that the President made an agreement with Senator Bob Packwood that he would help the American sawmill industry if Packwood would lead the vote for the trade talks with "fast track implementing authority."

Reagan in a promised letter to Packwood stated, "Once again, I want you to know that I am committed to finding a rapid and effective solution to the Canadian lumber problem which restores for the American lumber industry a fair opportunity to compete." Then came the shake and shingle countervailing duty.

On May 22, President Reagan put teeth behind his words on helping the U.S. lumber community. He approved a duty on Canadian cedar shingles and shakes, which came in the form of a 35% tariff that became effective June 6. The tariff graduates down after 30 months to 20% and then 8% for the last six months of the five year period.

The immediate response from the Canadians was disbelief and anger. The Canadians countered promptly with imposed sanctions of their own on U.S. goods going into Canada. These products included books, periodicals and other items which add up in volume to $80 million which is the value of the cedar shingle and shake business between the U.S. and Canada.

The ITC will gather information from U.S. manufacturers and wholesalers for review. They held a hearing on June 10. The first week in July they will annouunce the decision on whether to honor the petition or not.

If they find preliminary fault, the petition is handed over to the International Trade Administration (ITA). The ITA then has approximately 90 days to decide tentatively on the case. This would put the decision in mid October 1986.

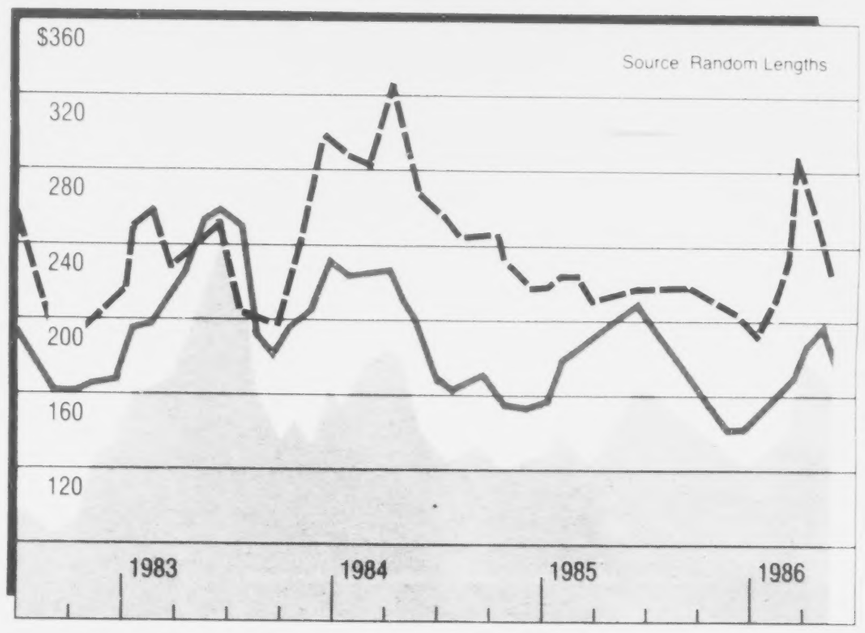
If fault is determined at that time, the U.S. Government could impose a bond requirement in the amount of the proposed tariff while the final determination is being made within 75 more days.

The Canadian lumber import issue is on the front burner again. It looks likely that either by a political settlement or a ruling by the ITA that lumber out of Canada will be costing dealers more by fall, unless President Reagan used the shingle and shake duty as a trial balloon to test the Canadian reaction to softwood lumber tariffs.

The value of red cedar shingle and shakes entering the U.S. from Canada is miniscule at $180 million compared to $2.8 billion in softwood lumber products. The Canadian reaction to the shingle duty was immediate, dramatic and retaliatory. This signal from the Canadians might steer Reagan to influence the proceedings such that a duty on softwood lumber from Canada never becomes reality.

Commodity close-up

Studs and Boards
Average mill monthly prices



Since hitting price peaks in March, prices for studs and boards have been declining. Ponderosa Pine #3 1x12 random dropped to a May average of $238. Southern pine (Western) dropped from $201 a thousand board feet in March to $184, while KD s-p-f held steady at $186 for a May monthly average.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended June 5, 1986

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
July '86	170.80	155.10	161.60	169.20	3,307	190.90	144.00
Sept.	166.40	155.80	159.30	165.20	1,742	182.40	145.00
Nov.	162.20	156.20	159.10	161.80	1,071	174.50	146.00
Jan. '87	165.80	160.70	163.30	165.50	297	175.00	150.00
March	166.00	161.60	163.80	166.30	155	175.50	153.00
May	167.00	163.20	164.00	166.50	49	173.00	160.00
July			No Trading				

Total Contract Volume (thru 6/5): 21,542 — **Previous week: 23,213**
Total Open Interest (thru 6/5): 6,621 — **Previous week: 6,317**
Cash Price: $164.64 — **Previous week: $173.46** — **Year ago: $166.60**

CME—Chicago Mercantile Exchange
*Figures for Thursday, June 5
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

ADVERTISING & MARKETING

Top home center television advertising markets—1985
Spending in thousands of dollars for TV time

Market	1985	1984	% change
1. Los Angeles	$ 7,630.5	$ 5,748.3	+ 33
2. Chicago	3,540.3	2,610.7	+ 36
3. Dallas	3,279.9	1,185.5	+177
4. Houston	2,453.1	2,517.4	− 3
5. Miami	2,038.8	1,038.4	+ 96
6. Seattle	1,541.0	238.4	+546
7. Minneapolis	1,299.8	1,184.1	+ 10
8. Tampa, Fla.	1,292.0	1,469.0	− 12
9. Atlanta	1,239.0	680.7	+ 82
10. New York	1,157.6	699.6	+ 65
11. Phoenix	1,135.0	1,351.2	− 16
12. Indianapolis	933.0	487.2	+ 92
13. Nashville	924.3	349.3	+165
14. Philadelphia	892.1	625.3	+ 43
15. Detroit	880.5	90.8	+870
16. Cleveland	877.9	302.3	+190
17. Sacramento, Calif.	834.7	641.1	+ 30
18. Buffalo	779.7	564.7	+ 38
19. Albuquerque, N.M.	778.3	405.0	+ 92
20. Denver	772.0	1,168.5	− 34
21. Norfolk, Va.	766.5	244.8	+213
22. Rochester, N.Y.	759.1	264.2	+187
23. Columbus, Ohio	704.0	499.1	+ 41
24. Portland, Ore.	656.3	156.9	+318
25. Baltimore	646.9	1,258.9	− 49
26. New Orleans	636.3	438.0	+ 45
27. Louisville	607.9	480.7	+ 26
28. Kansas City, Mo.	576.4	591.9	− 3
29. Washington	566.9	1,226.0	− 54
30. Oklahoma City	505.3	327.2	+ 54
31. Tulsa	503.3	450.5	+ 12
32. Cincinnati	488.1	350.3	+ 39
33. Greensboro	450.8	262.1	+ 72
34. Boston	436.0	341.0	+ 28
35. Salt Lake City	429.5	435.0	− 1
36. Providence, R.I.	395.2	293.1	+ 35
37. Omaha	378.3	263.6	+ 44
38. Milwaukee	359.4	461.3	− 22
39. Little Rock, Ark.	357.0	160.5	+122
40. Raleigh, N.C.	331.5	340.0	− 2
41. San Antonio	307.3	723.3	− 58
42. Des Moines	292.4	343.5	− 15
43. Charleston, S.C.	288.7	272.8	+ 6
44. Mobile, Ala.	278.8	302.6	− 25
45. Charlotte, N.C.	270.7	331.3	− 18
46. Orlando, Fla.	261.7	662.6	− 61
47. Cedar Rapids, Iowa	257.1	315.7	− 19
48. San Diego	221.6	161.2	+ 37
49. Shreveport, La.	204.7	307.4	− 33
50. Flint, Mich.	195.8	175.8	+ 11
51. Jacksonville, Fla.	194.5	330.7	− 41
52. Spokane, Wash.	193.5	37.7	+413
53. Albany	193.4	113.2	+ 71
54. Fresno, Calif.	184.3	295.6	− 38
55. Greenville, S.C.	179.6	88.7	+102
56. Wichita, Kan.	177.1	293.7	− 40
57. Birmingham, Ala.	163.8	126.0	+ 30
58. Memphis	161.3	269.7	− 40
59. West Palm Beach, Fla.	160.8	413.2	− 61
60. Green Bay, Wis.	145.5	198.0	− 27
61. Hartford	131.7	130.1	+ 1
62. Champaign, Ill.	124.4	121.6	+ 2
63. Portland, Me.	110.8	48.0	+131
64. Dayton, Ohio	90.3	300.7	− 70
65. Grand Rapids, Mich.	82.8	37.5	+121
66. San Francisco	87.4	121.4	− 28
67. Roanoke, Va.	76.4	59.6	+ 28
68. Harrisburg, Pa.	61.8	48.9	+ 26
69. Richmond	60.4	40.0	+ 51
70. St. Louis	50.4	81.3	− 38
71. Syracuse	39.5	120.7	− 67
72. Scranton, Pa.	35.7	115.2	− 69
73. Knoxville, Tenn.	0.3	2.7	− 8
74. Pittsburgh	0.0	240.0	−100
Top 10	**25,472.0**	**17,372.1**	**+ 47**
Top 25	**37,812.3**	**25,781.4**	**+ 47**
Top 50	**47,413.0**	**35,798.8**	**+ 32**
Top 74	**50,118.7**	**39,433.0**	**+ 27**

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data. Co-op advertising is not included in the above figures.

Top 25 markets garner $38 mil. in home center TV ad spending

By an NHCN staff editor

NEW YORK — Home center chains spent $37.8 million on television advertising in 1985 in the top 25 major home center markets, or 47% more than in the previous year. In all markets, home centers spent $50.1 million during 1985 on TV use, a 27% increase from 1984, according to a market analysis released to *NHCN* from the Television Bureau of Advertising (TvB).

The analysis not only ranks the hottest TV advertising markets for home center retailers, but also reveals significant fluctuations in TV ad spending that reflect the changes that occurred in the major markets last year. The following is a rundown of the markets that experienced dramatic increases in TV ad spending:

• Detroit: With Home Depot announcing plans (now aborted) to move into the market in 1985 and with Builders Square actually opening two stores, it is not surprising that dealers in this market used advertising to preempt this potential competition. Ad expenditures in Detroit rose 870% over the same period one year ago. Builders Square alone accounted for 64.6% of the $880,500 spent on TV use here, as tracked by TvB. Forest City increased spending 250% to $186,900 in 1985.

• Seattle: This market realized an increase of 546% last year in TV advertising, with chains such as Lumbermen's spending $234,300 and Pay 'N Pak spending $861,100. According to TvB, total expenditures in this market among home center chains were $1.541 million in 1985 versus $238,400 in 1984. Pay 'N Pak's advertising dollars also appeared to have considerable impact in Spokane, Wash., and Portland, Ore., which were the third and fourth ranked fastest growing TV advertising markets. They experienced 413% and 318% increases, respectively.

• Norfolk, Va.: Up 213% in 1985 from 1984, TV advertising expenditures here came largely from HomeQuarters Warehouse, which entered the market in 1985 and spent $437,900; and Hechinger which spent $191,300.

• Dallas/Fort Worth: Climbing to second place over the Houston market in 1985, Dallas/Ft. Worth realized a 177% increase in TV ad spending over 1984. The Home Depot moved into the market with its acquisition of six Bowater stores here, and spent $776,100 on TV use. Payless Cashways remains the advertising spending leader in Dallas and increased its own ad budget 82.9% according to the TvB's numbers to $1.5 million in 1985. TV expenditures by home centers in Dallas were probably much higher than reported by TvB, which did not

(Continued on page 54)

New FinishOff™ from Savogran: think of it as a stock option.

Some customers prefer a remover without methylene chloride. Now you can give them that option: FinishOff™ paint and varnish remover from Savogran.

Give your customers a choice: FinishOff,™ plus a full line of remover products including Strypeeze.® Backed by a prime selection of merchandising aids. That's Savogran Know-How, Show-How. And it keeps stock moving.

Call 1-800-225-9872

SAVOGRAN®
More fine products from the makers of Strypeeze®

Doors that don't hang around long... New La Door

The last thing the retailer needs is an interior door that overstays its welcome. This won't happen with Wing's new La Door.

Crafted from clear Ponderosa Pine, this stylish French interior door is available in both multi-fold and standard door sizes. La Door features quality glass panels, tempered for strength and safety, brass accent strips for that natural caming look and a one-of-a-kind gasket system that secures the glass panels and eliminates rattling.

Like all Wing products, La Door is backed by a solid merchandising effort. And with the addition of La Door, Wing has the largest product mix available in today's market.

For more information, call 1-800-341-WING.
In Texas: (214) 699-9900.

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Dallas, TX

WING

Are you roped into stocking too much inventory?

Riviera Built-to-Order cabinets add profit, not inventory.

Riviera Cabinets are the high profit cabinets that will increase sales by adding more quality to your product line, not boxes to a knotted inventory. That's because Riviera cabinets are Built-to-Order, which means you never stock cabinets, just display them. For information, call 804/424-7400 or write Riviera Cabinets, Inc., Suite 200, 825 Greenbrier Circle, Chesapeake, Virginia 23320.

RIVIERA CABINETS, INC.
Built-to-Order. Built-to-Last.

Knox ad goal: Out-think, don't outspend rivals

By an NHCN staff editor

ST. PAUL — Whether it's a locomotive smashing another home center's low prices or a sushi chef destroying his house because he could have found lower prices, Knox Lumber's TV ads are attention-getters.

Not only has the five-year-long campaign boosted Knox's name recognition, but the TV ads have racked in a slew of advertising industry awards for the firm's ad agency.

It wasn't always that way.

Back in 1980, for example, a typical Knox TV spot featured product and price, a TV screen filled with the sight of a power drill and a price tag. Then the scene switched to an array of hand tools.

Ruth Brophy looked up from the screen and shook her head.

"Like everyone else," said Brophy, advertising manager for Knox Lumber, which operates 10 home centers in Minnesota, Montana, North and South Dakota averaging 22,000 sq. ft. In 1985, the chain generated $118 million in sales. While just 30% of its ad budget is spent on TV commercials, they look like they cost much more.

Since the 1970's, Knox used a local ad agency for their product and price commercials. But in 1979, a young, creative ad man named Tom McElligott agreed to work with Knox. He spent his lunch hours "moonlighting" at Knox to develop a long term ad strategy. McElligott first developed Knox's short "how to" TV commercials for name recognition.

In 1981, Knox began its own in-house agency for run-of-press (ROP) advertising which accounts for 70% of its annual ad budget. In 1982 McElligott started his own agency—Fallon, McElligott, Rice.

"We agreed on the premise that you can't outspend your competition so you've got to out-think them," explained Brophy who came aboard at Knox in 1981. "The first premise was customer service."

Supporting Knox's opening of an answer booth in each of its stores, Fallon, McElligott, Rice created the "runaround" commercials. A bewildered customer bounces around a home center set, utterly lost.

"The 'runaround' is a dance made popular by warehouse home centers," said a narrator. When the exasperated customer finally comes to rest at a Knox answer booth, the narrator says: "Knox. Good prices. Good answers," which continues to be Knox's TV credo.

In 1983 Knox began its category promotions, each with a separate commercial:

- Promoting paint, Knox's agency brought out the American husband commercial. A burly, balding man stands on a ladder holding aloft a paint roller. He and the ladder are spattered with pink paint. "Put your husband on a pedestal," the narrator urges.
- Spotlighting Knox's help in the electrical and plumbing sectors, the "Amityville Horror" commercial was developed and won the ad industry's highest award, the Cleo. The commerical shows a night scene at the outside of a suburban two-story home. As the narrator explains "he thought he'd figure it out himself," the house lights flicker and go out, water spews forth from the lawn and the sidewalk light explodes.
- To illustrate "Good Prices. Good Answers" for lumber and building materials, Fallon, McElligott, Rice used a black and white commercial

(Continued on page 55)

Top 25 markets garner $38 million in home center TV ad spending

(Continued from page 53)

include in its calculations the entry into the market of Lowe's, which acquired eight Boise Cascade units.

TvB also lists the markets in which there were ad expenditure declines by home centers, the most prominent of which being Washington and Baltimore. Ad dollars fell 54% and 49%, respectively. Other markets where home center ad spending declined include: Dayton, Ohio, down 70%; Syracuse 67%; Scranton, Pa., 69%; and Orlando, Fla., 61%.

Fastest growing markets

Market		% Change
1	Detroit	+870
2	Seattle	+546
3	Spokane, Wash.	+413
4	Portland, Ore.	+318
5	Norfolk, Va.	+213
6	Cleveland	+190
7	Rochester, N.Y.	+187
8	Dallas/Fort Worth	+177
9	Nashville	+165
10	Portland, Me.	+131

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data. Co-op advertising is not included in the above figures.

Special Announcement!

EVERYTHING YOU NEED NOW...
EVERYTHING YOU'LL WANT NEXT.

As the construction industry's top source of professionally approved Caulkings, Sealants and Adhesives for the past twenty years, we feel the time is right for the nation's millions of eager-beaver do-it-yourselfers to get the same benefits and advantages as the professionals, with:

- a wide, versatile line that will satisfy the needs of all of your do-it-yourself customers ...each with the ability to satisfy a specific requirement, solve a particular problem.
- a product line that performs to the highest expectations...does the job right the first time...time after time.

THE PRODUCT LINE IS GREAT. HOW ABOUT YOUR PROFIT LINE?

OSI's home centers, chains and mass merchandisers Profit Programs assure you of top, immediate sales and profits on every sale. No such thing as a warehouse full of products that don't move — no slow movers that tie up your inventory dollars.

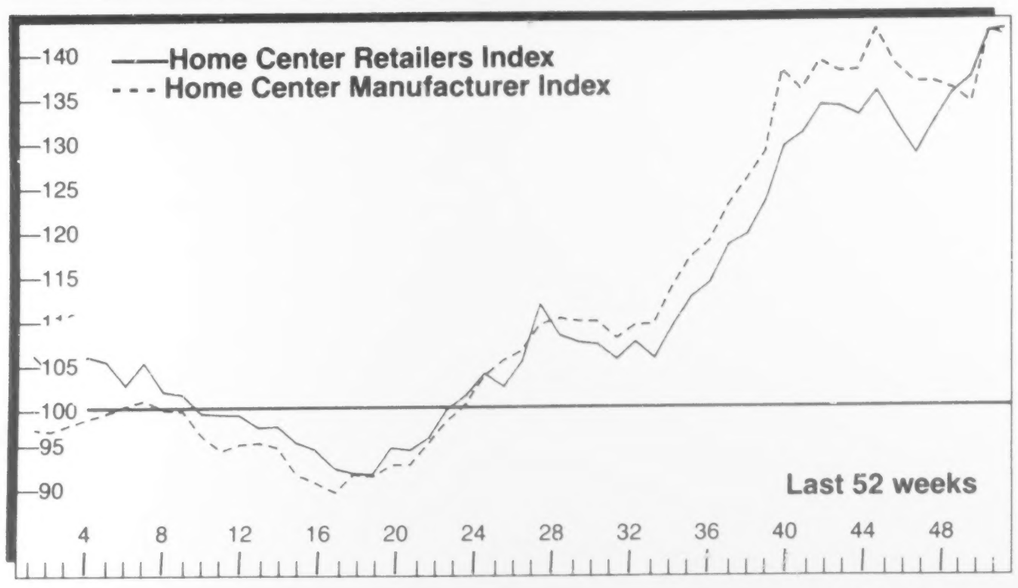
Consumers know the OSI-Brand line of Caulkings, Sealants and Adhesives. Month-after-month, they're reminded with bold, colorful advertising in their favorite hobby, remodeling and handyman magazines. Their acceptance of the OSI-brand name lets you lead the way (with OSI's assistance) with the fastest-moving line in the industry. We welcome the opportunity to prove it to you (see the Coupon).

YOU CAN DO IT ALL... WITH A LITTLE HELP FROM YOUR FRIENDS AT OSI.

OSI won't sign you up, load up your warehouses, and let you and your dealers face that big competitive world alone. No, sir. You'll be an active participant, right from the start, with:

- Pricing that's always market competitive.
- On-time shipping and delivery.
- National consumer advertising, throughout the year.
- Special extra-profit warehouse allowance programs.
- Consumer rebate offers and savings programs.
- Outstanding, colorful selling tools.
- Displays, point-of-purchase and signage programs.
- Product and application training sessions for your sales and service people.
- Co-op local advertising programs.
- Catalogs, flyers, how-to-do-it brochures.

FINANCIAL NEWS

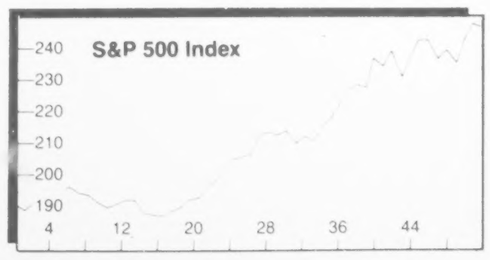


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
6-13-86	(100)	%	%
Mich General A	4,703	387.1	11.8
Clopay Corp A	764	325.9	11.1
USG Corp N	15,053	247.0	- 3.0
Erb Lumber M	287	233.0	8.8
Macmillan Blodel M	988	220.0	4.6
Svc Merchandise M	44,662	199.3	- 2.0
Hechinger A M	7,932	196.4	- 6.9
Lowe's Cos N	14,935	159.9	- 8.6
Wickes Cos A	167,704	153.7	.0
Wolohan Lumber M	3,505	152.7	2.5

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 6-13-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Clopay Corp A	22.50	11.1	764
Newell Co N	36.38	10.2	1,501
Manville Cp N	3.00	9.1	14,300
Erb Lumber M	77.00	8.8	287
Masco Corp N	32.13	8.4	28,434
Armstrng Wrld N	69.50	5.9	8,148
Macmillan Blodel M	25.50	4.6	988
Zayre Corp N	84.00	3.7	6,469
Std Brd Pnt N	25.00	3.6	5,378
INTERCO Inc N	90.13	3.6	3,516
Losers	**$**	**%**	**(100)**
Waxman Ind M	13.75	- 15.4	820
Homecrafters Whse M	.75	- 14.3	1,227
Mich General A	3.75	- 11.8	4,703
Lowe's Cos N	37.38	- 8.6	14,935
Lewis Palmer M	8.13	- 7.1	565
Hechinger A M	27.00	- 6.9	7,932
Mor-Flo Inds M	15.50	- 6.1	240
Stanley Works N	42.38	- 6.1	3,850
Insilco Corp N	21.88	- 5.9	4,961
Sherwin-Wms N	28.38	- 5.4	6,261

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 6-13-86 $	2-Weeks Change: Amt. $	2-Weeks Change: Pct. %	2-Week Range: High $	2-Week Range: Low $	52-Week Range: High $	52-Week Range: Low $	Volume: 2-Weeks Shares Traded: Total (100)	Volume: 2-Weeks Shares Traded: % Out %	Volume: 12-Week Avg. Vol. As % Out %	Volume Trend Change %	P/E Ratio -	Indicated Divd. Rate: Amt. $	Indicated Divd. Rate: Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue: Amt. $Mil	Latest Quarter: Revenue: Chg. %	Latest Quarter: Net Income: Amt. $Mil	Latest Quarter: Net Income: Chg. %	Latest Quarter: E.P.S.: Amt. $	Latest Quarter: E.P.S.: Chg. %	Year-to-Date: Revenue: Amt. $Mil	Year-to-Date: Revenue: Chg. %	Year-to-Date: Net Income: Amt. $Mil	Year-to-Date: Net Income: Chg. %	Year-to-Date: E.P.S.: Amt. $	Year-to-Date: E.P.S.: Chg. %
Retailers																													
Color Tile M	22.50	- .63	- 2.7	22.75	21.88	23.50	16.88	2,505	2.65	2.31	14.7	15.0	.00	.0	.....	9 mos.	03-86	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber M	77.00	6.25	8.8	77.00	70.00	77.00	20.75	287	3.43	1.03	233.0	11.2	.00	.0	NEW	3 mos.	03-86	35.1	29.5	(.3)	NE	(.38)	NE	35.1	29.5	(.3)	NE	(.38)	NE
Forest City Ent A	31.00	1.00	3.3	31.25	30.50	31.25	21.63	220	.54	.31	74.2	43.1	.30	1.0	.....	fiscal	01-86	81.0	7.6	2.1	133.3	.27	200.0	281.0	6.2	5.7	46.2	.72	46.9
Grace W R N	55.50	- 3.13	- 5.3	59.38	55.50	60.75	35.50	15,311	2.81	2.88	- 2.4	27.5	2.80	5.0	.....	3 mos.	03-86	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0
Handyman A	31.50	- .50	- 1.6	31.63	31.00	36.00	21.75	317	1.23	.70	75.7	NA	.20	.6	NEW		03-86	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A M	27.00	- 2.00	- 6.9	29.50	27.00	29.50	16.00	7,932	9.07	3.06	196.4	NA	.16	.6	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	27.75	- 1.25	- 4.3	29.50	27.25	29.50	16.00	457	.19	.19	.0	27.8	.08	.3	.....	3 mos.	04-86	136.9	19.5	4.9	28.9	.20	17.6	136.9	19.5	4.9	28.9	.20	17.6
Homecrafters Whse M	.75	- .13	- 14.3	1.00	0.75	8.75	.75	1,227	4.34	1.85	134.6	NE	.00	.0	.....	9 mos.	10-85	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot N	20.88	.25	1.2	21.25	19.88	21.25	10.50	9,529	3.79	2.77	36.8	46.4	.00	.0	NEW	3 mos.	04-86	222.6	53.5	5.1	168.4	.20	150.0	222.6	53.5	5.1	168.4	.20	150.0
INTERCO Inc N	90.13	3.13	3.6	90.50	85.50	90.50	62.75	3,516	2.47	1.30	90.0	15.4	3.08	3.4	.....	fiscal	02-86	583.0	.4	30.9	NC	1.95	54.8	2510.7	- 4.4	92.3	27.8	5.84	31.2
K mart Cp N	53.38	.88	1.7	53.88	50.75	53.88	30.63	66,938	5.32	3.29	61.7	27.1	1.48	2.8	.....	3 mos.	04-86	5212.4	4.6	91.6	56.6	.70	52.2	5212.4	4.6	91.6	56.6	.70	52.2
Lowe's Cos N	37.38	- 3.50	- 8.6	40.75	35.88	41.50	20.75	14,935	3.82	1.47	159.9	23.1	.40	1.1	.....	3 mos.	04-86	534.0	18.1	11.4	- 4.2	.31	- 6.1	534.0	18.1	11.4	- 4.2	.31	- 6.1
Mich General A	3.75	- .50	- 11.8	4.38	3.25	6.13	3.25	4,703	4.14	.85	387.1	NE	.00	.0	.....	3 mos.	03-86	91.2	3.5	(5.9)	NE	(.53)	NE	91.2	3.5	(5.9)	NE	(.53)	NE
Natl Hardgoods M	7.75	.25	3.3	7.75	7.25	9.00	5.50	144	1.17	.67	74.6	18.5	.00	.0	NEW	3 mos.	04-86	6.5	- 3.0	.0	- 100.0	.03	200.0	6.5	- 3.0	.0	- 100.0	.03	200.0
Natl Lumber M	6.25	- .25	- 3.8	7.00	5.88	7.25	4.00	1,275	2.26	.96	135.4	NE	.00	.0	NEW	*	01-86	NC	NC	NC	NC	NC	NC	135.9	NC	(.2)	NC	(.03)	NC
Pay N Pak N	18.63	- .38	- 2.0	19.13	18.00	19.38	11.63	3,480	3.48	2.78	25.2	22.7	.64	3.4	.....	fiscal	02-86	74.5	21.1	1.3	8.3	.13	8.3	333.7	9.3	8.2	- 18.8	.82	- 18.8
Payless Cash N	26.75	.38	1.4	26.88	24.38	27.50	13.50	14,454	4.17	2.71	53.9	23.5	.16	.6	.....	3 mos.	02-86	274.5	7.7	2.4	50.0	.07	40.0	274.5	7.7	2.4	50.0	.07	40.0
Scotty's Inc N	17.75	- .13	- .7	18.13	16.88	18.13	12.38	1,444	1.00	.74	35.1	16.7	.52	2.9	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck N	47.25	- .38	- .8	48.88	45.00	50.38	31.75	90,927	2.50	1.20	108.3	13.7	1.76	3.7	.....	3 mos.	03-86	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise M	12.38	- .25	- 2.0	13.25	12.13	16.13	10.88	44,662	13.41	4.48	199.3	NE	.08	.6	.....	3 mos.	03-86	457.1	31.7	(29.2)	NE	(.88)	NE	457.1	31.7	(29.2)	NE	(.88)	NE
Std Brd Pnt N	25.00	.88	3.6	25.63	22.88	25.63	18.75	5,378	26.58	11.18	137.7	19.8	.58	2.3	NEW	3 mos.	04-86	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen N	60.50	- 1.38	- 2.2	63.88	60.25	63.88	39.88	3,034	1.58	1.36	16.2	16.9	.56	.9	NEW	3 mos.	04-86	1337.3	10.0	12.3	4.2	.67	1.5	1337.3	10.0	12.3	4.2	.67	1.5
Wickes Cos A	6.25	.00	.0	6.63	5.63	7.00	3.88	167,704	12.15	4.79	153.7	NA	.00	.0	NEW		04-86	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber M	10.25	.25	2.5	10.75	10.00	10.75	5.25	3,505	5.99	2.37	152.7	16.0	.16	1.6	.....	3 mos.	03-86	28.1	21.6	(.1)	NE	(.02)	NE	28.1	21.6	(.1)	NE	(.02)	NE
Zayre Corp N	84.00	3.00	3.7	84.38	77.50	84.38	47.75	6,469	2.17	1.43	51.7	25.8	.64	.8	.....	3 mos.	04-86	1044.5	32.2	16.7	9.9	.56	5.7	1044.5	32.2	16.7	9.9	.56	5.7
Wholesalers																													
Lewis Palmer M	8.13	- .63	- 7.1	8.75	7.88	9.88	6.38	565	1.44	.91	58.2	32.5	.28b	3.4	.....	3 mos.	04-86	33.8	2.4	.1	NC	.02	NC	33.8	2.4	.1	NC	.02	NC
Manufacturers																													
Allegheny Int N	20.75	- .38	- 1.8	21.38	18.63	28.75	16.50	5,454	5.07	2.44	107.8	NE	.00	.0	.....	3 mos.	03-86	467.2	- 7.3	11.9	133.3	.41	NE	467.2	- 7.3	11.9	133.3	.41	NE
Am Standard N	42.00	.50	1.2	42.25	38.50	46.88	27.00	10,016	2.55	1.36	87.5	10.8	1.60	3.8	.....	3 mos.	03-86	715.0	6.8	50.2	147.3	1.30	150.0	715.0	6.8	50.2	147.3	1.30	150.0
Armstrng Wrld N	69.50	3.88	5.9	69.88	65.25	69.88	31.88	8,148	3.40	1.57	116.6	15.8	1.44	2.1	.....	3 mos.	03-86	430.9	14.4	22.9	27.9	.95	26.7	430.9	14.4	22.9	27.9	.95	26.7
Black & Decker N	21.38	- .38	- 1.7	21.75	20.13	25.25	17.25	13,959	2.42	4.08	- 40.7	43.6	.64	3.0	.....	6 mos.	03-86	415.1	3.0	1.6	- 89.2	.02	- 93.1	936.8	3.4	22.5	- 48.6	.43	- 50.0
Boise Cascade N	58.00	- 1.25	- 2.1	59.00	56.88	59.88	39.63	9,158	3.38	1.61	109.9	18.4	1.90	3.3	.....	3 mos.	03-86	916.6	- 4.3	25.0	- 24.9	.83	- 25.9	916.6	- 4.3	25.0	- 24.9	.83	- 25.9
Certain-teed N	36.38	- 1.00	- 2.7	38.50	35.25	38.50	22.38	1,980	1.04	1.06	- 1.9	12.6	.90	2.5	.....	3 mos.	03-86	255.0	.8	10.5	28.0	.56	36.6	255.0	.8	10.5	28.0	.56	36.6
Champ Intl N	26.00	- 1.00	- 3.7	27.13	25.13	29.75	20.25	18,801	2.02	1.78	13.5	19.1	.52	2.0	.....	3 mos.	03-86	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5
Clopay Corp A	22.50	2.25	11.1	23.00	20.00	23.00	11.25	764	4.94	1.16	325.9	NE	.16	.7	.....	3 mos.	03-86	32.4	11.0	.4	NE	.25	NE	32.4	11.0	.4	NE	.25	NE
DeSoto Inc N	40.25	- .25	- .6	41.00	40.00	41.38	31.50	255	.53	.58	- 8.6	12.2	1.40	3.5	.....	3 mos.	03-86	96.8	4.1	2.4	200.0	.51	200.0	96.8	4.1	2.4	200.0	.51	200.0
Emhart Corp N	37.75	- .75	- 1.9	38.50	36.50	42.63	26.38	3,699	1.34	1.41	- 5.0	12.6	1.40	3.7	.....	3 mos.	03-86	509.6	21.4	18.0	16.9	.65	16.1	509.6	21.4	18.0	16.9	.65	16.1
Georgia-Pacifc N	32.50	- .13	- .4	32.88	30.50	33.75	20.63	25,798	2.58	1.46	71.2	23.9	.80	2.5	.....	3 mos.	03-96	1604.0	1.5	30.0	- 38.8	.25	- 41.9	1604.0	1.5	30.0	- 38.8	.25	- 41.9
Insilco Corp N	21.88	- 1.38	- 5.9	23.75	21.75	24.50	16.63	4,961	2.52	1.44	75.0	15.9	1.00b	4.6	.....	3 mos.	03-86	180.3	- 8.6	6.8	13.3	.34	3.0	180.3	- 8.6	6.8	13.3	.34	3.0
La Pacific N	27.63	- .13	- .5	28.13	26.50	30.13	17.13	5,745	1.57	1.35	16.3	40.0	.80b	2.9	.....	3 mos.	03-86	322.6	19.0	1.4	- 41.7	.04	- 42.9	322.6	19.0	1.4	- 41.7	.04	- 42.9
Macmillan Blodel M	25.50	1.13	4.6	25.50	24.00	26.50	12.47	988	.32	.10	220.0	19.0	.25b	1.0	.....	3 mos.	03-86	613.2	13.9	29.2	1023.1	.68	NE	613.2	13.9	29.2	1023.1	.68	NE
Manville Cp N	3.00	.25	9.1	3.25	2.63	8.88	2.50	14,300	5.96	7.02	- 15.1	NE	.00	.0	.....	3 mos.	03-86	455.5	5.1	12.0	- 1.6	.24	- 4.0	455.5	5.1	12.0	- 1.6	.24	- 4.0
Masco Corp N	32.13	2.50	8.4	32.50	29.38	32.50	15.25	28,434	2.21	.88	151.1	24.3	.32	1.0	.....	3 mos.	03-86	308.0	34.5	45.1	27.0	.35	12.9	308.0	34.5	45.1	27.0	.35	12.9
Mor-Flo Inds M	15.50	- 1.00	- 6.1	16.25	15.50	19.63	14.50	240	.95	.46	106.5	12.1	.01	.1	.....	3 mos.	03-86	52.4	.0	.7	- 58.8	.28	- 56.9	52.4	.0	.7	- 58.8	.28	- 56.9
Newell Co N	36.38	3.38	10.2	36.63	32.13	36.63	15.13	1,501	1.51	1.20	25.8	16.7	.70	1.9	.....	3 mos.	03-86	94.5	18.9	4.1	28.1	.44	25.7	94.5	18.9	4.1	28.1	.44	25.7
Owens Corning N	49.50	- 2.13	- 4.1	52.13	48.00	56.75	32.13	8,465	2.84	1.84	54.3	11.7	1.40	2.8	.....	3 mos.	03-86	866.1	27.7	22.9	- 18.2	.77	- 18.9	866.1	27.7	22.9	- 18.2	.77	- 18.9
Ply-Gem A	14.50	.13	.9	14.75	14.13	15.50	9.59	2,417	3.29	1.77	85.9	20.1	.12	.8	.....	3 mos.	03-86	50.6	24.3	2.0	81.8	.26	30.0	50.6	24.3	2.0	81.8	.26	30.0
Pope & Talbot N	20.88	- .38	- 1.8	21.13	19.88	24.75	16.75	1,233	2.06	.93	121.5	32.1	.80	3.8	.....	3 mos.	03-86	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0
Potlatch Cp N	48.88	- 1.50	- 3.0	50.88	46.50	50.88	32.25	2,172	1.67	1.21	38.0	19.8	1.56	3.2	.....	3 mos.	03-86	233.3	- .6	13.6	18.3	.95	41.8	233.3	- .6	13.6	18.3	.95	41.8
Sherwin-Wms N	28.38	- 1.63	- 5.4	31.00	27.50	32.25	16.63	6,261	1.36	.76	78.9	17.3	.50	1.8	.....	3 mos.	03-86	502.7	2.2	6.9	21.1	.15	15.4	502.7	2.2	6.9	21.1	.15	15.4
SW Forest Ind N	13.63	- .75	- 5.2	14.25	13.25	15.88	9.88	1,552	1.53	1.30	17.7	NE	.00	.0	.....	3 mos.	03-86	142.5	- 16.4	(8.0)	NE	(.94)	NE	142.5	- 16.4	(8.0)	NE	(.94)	NE
Stanley Works N	42.38	- 2.75	- 6.1	45.13	40.00	46.25	27.63	3,850	1.38	.77	79.2	14.8	1.04	2.5	.....	3 mos.	03-86	324.2	17.1	14.7	5.0	.53	1.9	324.2	17.1	14.7	5.0	.53	1.9
Thos Inds N	22.75	.38	1.7	23.38	22.00	26.75	14.41	708	.79	.53	49.1	12.4	.68b	3.0	.....	3 mos.	03-86	70.8	- 4.2	3.2	.0	.36	5.9	70.8	- 4.2	3.2	.0	.36	5.9
USG Corp N	79.50	- 2.50	- 3.0	85.50	75.75	85.50	36.63	15,053	4.65	1.34	247.0	11.3	1.92	2.4	.....	3 mos.	03-86	622.1	5.7	51.7	21.6	1.62	26.6	622.1	5.7	51.7	21.6	1.62	26.6
Walter, Jim N	42.50	- 2.13	- 4.8	44.50	40.50	48.00	26.00	9,205	3.48	1.85	88.1	10.7	1.40	3.3	.....	6 mos.	02-86	517.0	- 1.8	18.3	22.0	.26	- 52.7	1079.1	- .5	50.0	18.8	1.42	- 7.8
Waxman Ind M	13.75	- 2.50	- 15.4	16.00	13.50	17.13	10.00	820	2.61	2.57	1.6	17.0	.08	.6	.....	9 mos.	03-86	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser N	36.00	- 1.13	- 3.0	37.25	33.88	40.25	24.75	23,305	1.79	.97	84.5	25.9	1.30	3.6	.....	3 mos.	03-86	1306.7	2.4	50.0	30.9	.31	29.2	1306.7	2.4	50.0	30.9	.31	29.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National
Home Center News ®

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Evans' bank lenders plan confirmed by court

Company should clear Chapter 11 by fall

By John Caulfield
NHCN staff editor

MIAMI — It's all over but the closing credits.

Sixteen months after it hid under the covers of Chapter 11, Evans Products Co. will now begin to reorganize under a plan that was confirmed on July 2 by U.S. Bankruptcy Judge Thomas C. Britton.

The plan was devised by Evans' 22 bank lenders and overwhelmingly approved by its trade creditors,

Britton unequivocably confirmed the plan as it was presented in the lenders' disclosure statement, and granted approval to the 11 pages of modifications to that statement that were filed by the banks with the Court on June 19.

A hearing has been set for July 17 to consider motions filed in opposition to this confirmation. Robert Mark, an attorney for Evans from the Miami firm Stearns, Weaver, Miller, Weissler, Alhadeff & Sitterson, expected the company to appeal.

"I anticipate that, at this hearing, we will actively challenge those sections of the Order we've determine are inappropriate," he said.

Disputed points could include the value placed by the banks on new common stock to be issued in the company, and the way remuneration to unsecured creditors of Evans Products Co. was increased in the modifications.

The reorganization plan has targeted Sept. 30 as its Effective Date for the company to come out of Chapter 11, soon after which the banks, vendors and other creditors will be paid off in cash, stock and notes whose value is projected to equal 79% of the $649.7 million in total allowed debt claims filed against the company by all creditor classes.

The confirmed plan calls for the company and seven of its subsidiaries under bankruptcy protection to be merged to-

(Continued on page 85)

Falling peso deals hard times to border areas

By an NHCN staff editor

NATIONAL REPORT — Retailers on the U.S.-Mexican border are facing hard times as the value of the peso dropped 184% from 1985 to June 1986. During the worst week of devaluation last month the exchange rate had risen to 727 pesos to the dollar from 256 pesos in June 1985.

"The last few weeks with devaluation have hit us very hard, business came to almost a stand still, now it is beginning to pick up," said Ike Epstein, president of Dr. Ike's True Value, the two unit Laredo independent. However, Epstein still hopes that business will only be off between

(Continued on page 85)

Somerville Lumber embarks on stepped-up expansion plan

By Elizabeth Brent
NHCN staff editor

SOMERVILLE, Mass. — Somerville Lumber will speed up its expansion plans to open between 10 and 15 stores in the New England market by 1990, according to Harold Cohen, the chain's president.

"We are thirsty to open new stores, possibly adding three or four in 1987," said Cohen.

Only four years ago, the 30-year-old operation opened its second store, in Westboro, Mass. Following four years of slow expansion and refinement, the company has shown that it can duplicate the strong

(Continued on page 86)

Somerville Lumber's new store in Pelham, N.H., features an expanded offering of bath products and, due to the lack of a sales tax in the state, has been attracting customers from neighboring Massachusetts. NHCN photo

Industry stocks record highest gains in 3 years

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Home center stocks enjoyed their biggest gains in three years during the first half of 1986. Despite the rapid run-up, which left many stocks trading near 52-week highs, analysts said prices of the issues should continue to rise.

Since the first of this year, the stocks of seven representative home center chains increased at an average rate of 44%. Payless Cashways achieved the best performance, increasing by 73% to 26¾. The Home Depot rose 62% to 20⅞, and Pay 'N Pak 55% to 18⅝. Lowe's increased

(Continued on page 85)

Additional space scrubbed for August hardware show

By Gary S. Ruderman
NHCN staff editor

CHICAGO — The Metropolitan Fair and Exposition Authority dropped the other shoe late last month, scratching use of the McCormick Place Expansion's upper floor for the National Hardware Show here August 10 through 13.

In late April, the Authority cancelled use of the 155,000-sq.-ft. lower floor due to construction delays.

"It was painfully obvious that we can't make up the time we've lost," said Andrew Martinez, spokesman for McCormick Place.

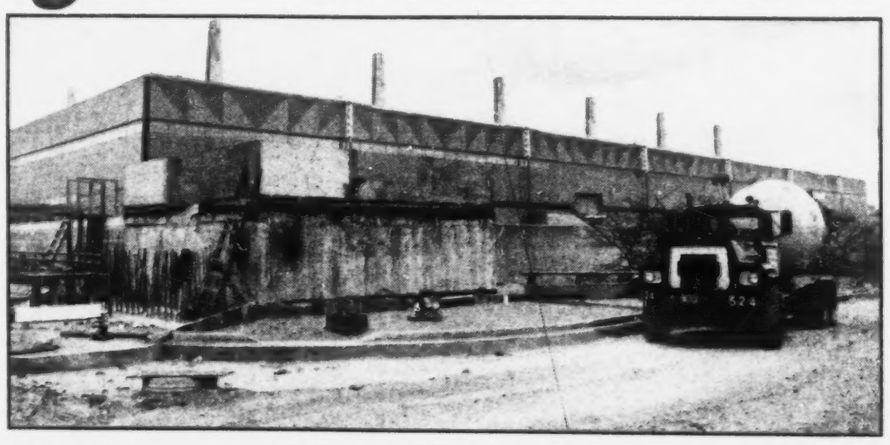
The decision to cancel the contract for use of the 379,000-sq.-ft. upper floor came June 27th, just minutes after Cahners Exposition Group officials were told by telephone that a lingering strike by sheet metal workers was over, according to Julie Prazmark, Cahners vp and show manager.

Prazmark described herself as "stunned" and "flabbergasted."

"The building management kept telling us 'hang in there, hang in there,'" said Prazmark. "The building management kept saying 'it's going to be ready' even when we lost the lower level."

"I think the McCormick Place people were as open and direct as they could have been," said William Farrell, president of the American Hardware Manufacturers Assn. (AHMA). "There were delays and we were always advised. I do feel that the city

(Continued on page 86)



Citing construction delays, Chicago's Metropolitan Fair and Exposition Authority has scratched the use of McCormick Place's upper floor for the National Hardware Show in August. NHCN photo

INSIDE

The Forces Reshaping American Home Centers
Consumer Attitude Study: Home improvers voice great enthusiasm about shopping in home improvement centers. But they also fault obstacles and displays that 'short circuit' the excitement and pleasure of shopping in those stores. **21**
How home improvement stores stack up **24**
What DIYers like and dislike **36-50**
The failure of merchandise displays . **51-62**

NEWSBREAKS

WEYERHAEUSER WORKERS REJECT PACT: By a vote of 420 to 6, a group of workers striking the Weyerhaeuser Co. rejected the manufacturers new contract offer June 30.

WICKES CONSOLIDATES GRACE BUY: Wickes Cos. plans to cut a president, Sean Lee, and four vps from Grace West as it digests its Grace acquisition, which was finalized June 29. Also, 14 BE and Oles stores will be closed and Wickes chairman Sanford Sigoloff will be acting president of both chains.

INDUSTRY UPDATE

Wickes acquires 108 Grace units

SANTA MONICA, Calif. — Wickes Cos. said it completed its acquisition of W.R. Grace's 21-unit Orchard Supply Hardware and 87-unit Grace Home Centers West operations on June 29. The deal reportedly cost Wickes $180 million cash and raises its California home center count to 134 of which more than 100 are located in southern California.

HomeClub opens 5 whse. units

FULLERTON, Calif.— HomeClub scheduled June 26 for a single-day grand opening of five 100,000-sq.-ft. warehouses in California, raising its chainwide count to 24 outlets.

Four of the warehouses are in the southern California cities of City of Industry, Los Angeles, North Hollywood and Riverside. The fifth is in the northern California city of San Pablo. The units are retrofitted Zody's stores.

On July 24, HomeClub expects to open a 100,000-sq.-ft. build-to-suit unit in the Arvada suburb of Denver. And in August, the chain will open units in Stanton, Calif., and in Aurora, Colo., its second Denver-area store.

By year's end, HomeClub expects to have between 28 and 30 stores opened.

Pay 'N Pak in Indio,Calif

KENT, Wash. — Pay 'N Pak will open a 65,000-sq.-ft. warehouse outlet in an ex-Zodys discount store in the California desert community of Indio, located about 20 miles southeast of Palm Springs in Riverside County.

The outlet, slated to debut before year-end, will be the southern most location for the 106-unit chain.

The company said it had 38 warehouses in operation at the end of its first quarter ended May 31 and would convert nine more units to its warehouse format by the end of the fiscal year.

With the addition of the new Indio outlet, Pay 'N Pak will have 48 warehouse-format units in operation by fiscal year-end.

Separately, a company news release said Pay 'N Pak was closing its Denver, Colo., distribution center in the aftermath of studies which "showed that the company could service its Midwest stores more economically from its Kent, Wash., distribution center."

Pergament opens whse. unit

PEEKSKILL, N.Y. — Pergament opened the first of a new generation of 70,000-sq.-ft. warehouse home centers here on June 25. The store, the company's 45th and first warehouse style unit outside the Long Island market, is modeled after Pergament's first 70,000-sq.-ft. store opened at the end of 1984, while incorporating merchandising ideas unveiled in a 40,000-sq.-ft. store that opened in April.

Rule bans employee polygraph

WASHINGTON — The Senate Labor Committee voted 11 to 5 on June 25 to approve a bill banning virtually all lie-detector tests administered by private employers. A similar bill passed in the House in March. Business groups, who want to exempt certain industries from the ban, are expected to resume the fight when the bill goes to the Senate floor.

Price losers outnumber gainers

NEW YORK — For the second two-week period in a row, price losers outnumbered gainers for the 14 days ended June 27. Thirty-one home center issues declined, 21 gained and four were unchanged. The Home Center Retailers Index, meanwhile, remained at its 52-week high of 142, meaning those companies' aggregate market value was nearly 50% above their value a year ago.

The top price gainer was distributor Palmer G. Lewis, up 15.4% to $9.38. National Hardgoods, a New England hardware store chain, was up 14.5% to $8.88. Homecrafters Warehouse, in Chapter 11, plunged to a new 52-week low of 63¢ per share.

See financial tables, page 84.

21 Gainers

Unchanged 4

Losers 31

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.).

Jaffee assures shareholders National is on comeback road

By Brad Altman
NHCN staff editor

IRVINE, Calif. — Revealing National Lumber has cut back its work force and will trim its advertising budget this year, president & ceo Melvin Jaffee told shareholders at the annual meeting held here that he sees "the start of a turnaround, although there will be bumps in the road ahead."

Jaffee hinted that the 19-unit chain might have a profitable second quarter, and he promised a "big improvement" over the first quarter's $582,029 loss on a 4% sales increase to $32.6 million (*NHCN*, June 30).

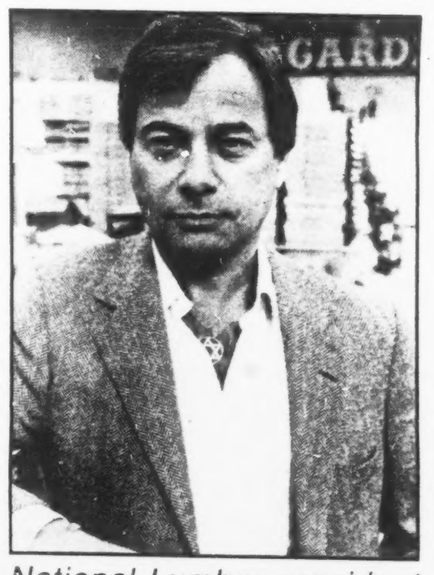
He said chainwide sales were up 17.5% in May and were "continuing that way" in June.

National Lumber's financial woes stem from an expensive store-building expansion program. Four stores opened in the last half of 1985 and the company ended the year with 1,500 employees, now down to 1,314 employees "as of yesterday," Jaffee said at the June 19 meeting at the Registry Hotel.

More employees will be cut, Jaffee said, including an unspecified number of temporary workers and consultants at the retailer's Fountain Valley headquarters who will be leaving in the near future.

The company also is planning to decrease its advertis-

(Continued on page 4)

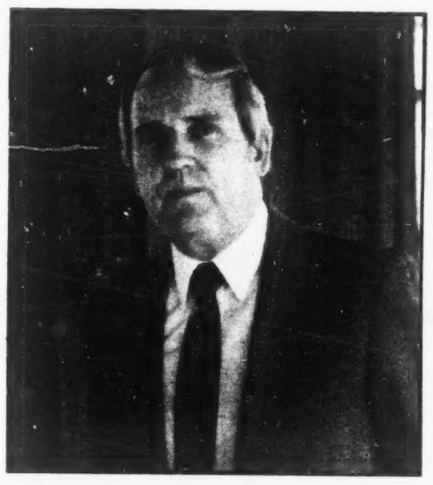


National Lumber president Melvin Jaffee feels the start of a turnaround for the company, after undertaking an expansion program. NHCN photo

Lloyd's Anglin resigns as pres. to join window treatment mfg.

By an NHCN staff editor

DANBURY, Conn. — Richard R. Anglin has resigned as president of the Lloyd Home & Building Centers chain, effective July 1.



Richard Anglin has resigned as president of the Lloyd Home & Building Center chain, effective July 1. NHCN photo

He is leaving Lloyd to to become president of Robertson Factories, a manufacturer of customized window treatments based in Taunton, Mass. Anglin said he will also be a principal in the company.

"It was very difficult for me to decide to leave Lloyd after all we've done, but I saw a chance for executive and financial advancement that probably would not have been available to me at Lloyd," he told *NHCN* a few days before his official departure.

A spokesperson for the company said that American Maize Products Co., Lloyd's parent, is currently engaged in searching for a replacement for Anglin. Several calls placed to the office of William Ziegler, American Maize's chairman, for comment on Anglin's resignation were not returned.

Anglin, 48, joined Lloyd's in March 1983 after nearly five years with Sherwin-Williams, where he was vp-operations of the paint manufacturer's stores division.

Sales improved

Under his stewardship, Lloyd has grown in sales by 100% to $100 million, and to 35 units from 22 at the end of 1982.

Anglin identified as his main accomplishment the conversion of Lloyd from a loose collection of contractor-oriented lumberyards into a chain aimed more at the DIY retail market. Last year, Lloyd's got 68% of its business from retail transactions.

Eagle launches new service to reverse membership shortfall

By Phillip M. Perry
NHCN staff editor

COLUMBUS, Ohio — Schlage Lock, one of the earliest members of the Eagle automatic ordering system, left the service June 1, citing a lack of sufficient orders received from its distributors.

The move by Schlage symbolizes the larger challenge Eagle faces in getting the industry enthused about electronic ordering.

When the American Hardware Manufacturers Association first introduced Eagle (and subsequently spent an estimated $800,000 to get it functioning), the system was touted as the wave of the future for the hardware industry. Bypassing the mails and the telephone when placing orders, went the reasoning, would facilitate reductions in inventory and thus improve profitability.

Membership goals falling off

Like Schlage, however, other system members are complaining that Eagle has had sufficient time to attract a large following, but that it hasn't done so.

Indeed, the level of enthusiasm exhibited by the hardware industry has fallen far below what Eagle had anticipated. In July of 1983, the system had signed 80 vendors and 51 distributors. At that time, Eagle anticipated getting a total of 200 participants by the end of that year.

Yet, 24 months later, in June of 1985, the system had gathered only 210 members—147 vendors and 63 distributors.

And over the following 12 months, response from the industry remained less than thrilling. By the end of last month, the total number of members had risen to only 245. Most recently, Savogran, the Norwood, Mass.-based manufacturer, left the system. And the number of distributors had fallen to 55.

"The growth process is not coming along as fast as the industry thought it would," ac-

(Continued on page 4)

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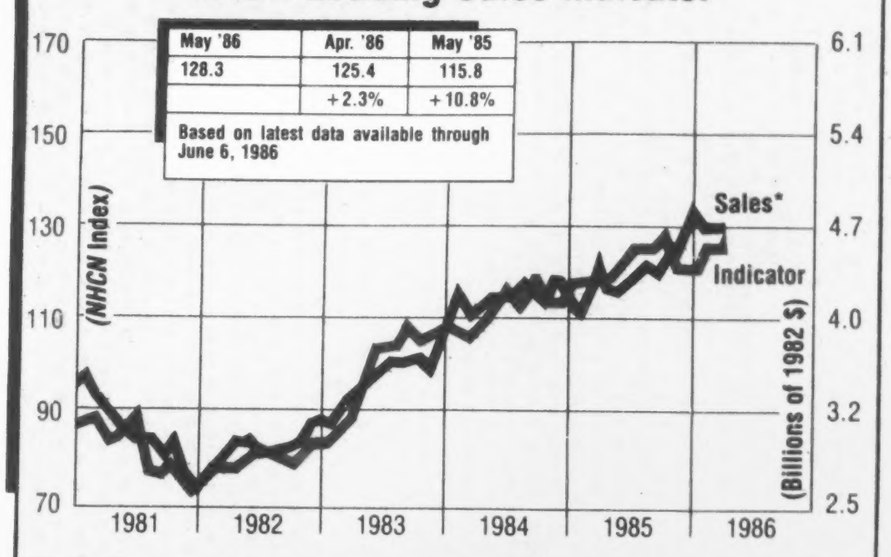
BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials and supplies in 1982 $.
Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

The NHCN Leading Indicator rose 2.3% in May from the prior month due to the strength in resales in the fourth quarter of last year. Based on the level of activity in starts, resales, income and interest rates in the first quarter of 1986, the leading indicator should rise an additional 4% through September.

Building material sales to gain 15% in Mountain states region

By Richard E. Mount
Special to NHCN

Building material sales in the Mountain states will increase 15% this year in dollar volume, 9% after adjusting for inflation. This increase in real volume will be slightly less than the 11% national gain.

Mountain states sales were weak during the first three quarters of 1985, and were down 2% in real terms for the year in contrast to the country's 5% increase. Weakness in copper, coal, petroleum and natural gas mining harmed employment in the region. The Mountain states are also major producers of beef and wheat.

Richard E. Mount

Building material sales increased 4% in real volume during the fourth quarter of last year and 6% in the first quarter of 1986 as a few major states strengthened. These rates of increase in building material sales will slacken for the rest of the year.

Energy prices dropped in early 1986, reducing U.S. production as imports became less expensive. The decline in imported oil prices put downward pressure on natural gas when utilities and industrial users switched to lower priced oil.

The sharp declines in agriculture are past, but the recovery will be slow and unsteady. Pork inventories are low and consumers will turn increasingly to beef. For the Mountain states, agriculture will provide marginally stronger support this year and next.

(Continued on page 13)

Home Center Industry Regional Outlook

	1985 QII	1985 QIII	1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1984	1985	1986
***NHCN* Leading Sales Indicator** (January 1980 = 100)	116	121	123.4	124.1	126.4	130.9	135	138	118.525	129.1	139.3
Building Material Retail Sales											
Current Total U.S. ($ millions) SAAR	53,512	53,736	56,976	60,944	61,005	62,165	63,008	65,050	53,841	61,781	66,655
New England	2,902	3,238	3,477	3,471	3,819	3,873	3,881	3,994	3,038	3,761	4,077
Middle Atlantic	7,119	7,408	8,306	8,307	8,535	8,628	8,720	8,977	7,269	8,548	9,165
East North Central	8,575	8,603	9,048	8,045	9,663	9,878	10,062	10,441	8,381	9,412	10,742
West North Central	3,860	3,841	4,000	3,561	4,252	4,320	4,354	4,482	3,747	4,122	4,591
South Atlantic	11,139	10,868	11,837	13,842	12,646	12,918	13,131	13,569	12,262	11,134	12,931
East South Central	2,912	3,056	3,182	3,498	3,569	3,674	3,774	3,949	2,964	3,629	4,078
West South Central	6,240	5,822	6,041	6,808	6,101	6,154	6,124	6,297	6,090	6,297	6,422
Mountain	2,606	2,620	2,763	3,230	2,959	3,040	3,094	3,194	2,674	3,081	3,263
Pacific	8,158	8,281	8,322	10,183	9,462	9,679	9,867	10,148	8,377	9,798	10,386
Constant Total U.S. (1972 $ millions) SAAR	50,990	51,209	53,765	56,604	56,100	56,600	56,800	58,060	51,055	56,526	58,605
New England	2,765	3,086	3,281	3,411	3,512	3,526	3,499	3,565	2,883	3,487	3,585
Middle Atlantic	6,783	7,060	7,838	7,803	7,848	7,856	7,861	8,012	6,897	7,842	8,058
East North Central	8,171	8,198	8,358	9,062	8,886	8,994	9,071	9,319	7,954	9,003	9,444
West North Central	3,678	3,660	3,775	4,046	3,910	3,934	3,925	4,000	3,556	3,954	4,036
South Atlantic	10,614	10,357	11,170	11,448	11,630	11,761	11,837	12,111	10,687	11,669	12,249
East South Central	2,775	2,912	3,003	3,219	3,282	3,345	3,402	3,524	2,813	3,312	3,585
West South Central	3,596	5,548	5,701	6,133	5,610	5,603	5,521	5,620	5,779	5,717	5,647
Mountain	2,483	2,497	2,607	2,760	2,721	2,768	2,789	2,851	2,537	2,759	2,869
Pacific	7,774	7,892	7,853	8,723	8,701	8,813	8,895	9,057	7,949	8,783	9,132
Per Cent of U.S. Total											
Current Total U.S. ($ millions) SAAR	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
New England	5.42	6.03	6.10	6.03	6.26	6.23	6.16	6.14	5.65	6.17	6.12
Middle Atlantic	13.30	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.51	13.87	13.75
East North Central	16.02	16.01	15.88	16.01	15.84	15.89	15.97	16.05	15.58	15.93	16.12
West North Central	7.21	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.96	6.99	6.89
South Atlantic	20.82	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.93	20.64	20.90
East South Central	5.44	5.69	5.58	5.69	5.85	5.91	5.99	6.07	5.51	5.86	6.12
West South Central	11.66	10.83	10.60	10.83	10.00	9.90	9.72	9.68	11.32	10.11	9.63
Mountain	4.87	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.97	4.88	4.89
Pacific	15.25	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.57	15.54	15.58
Industrial Production											
Index (1977 = 100) Brick	87.5	91.3	88.6	92.7	94.3	94.5	94.1	92.4	88.5	93.5	91.1
Cement	110.0	106.5	99.8	121.2	114.9	115.2	113.1	110.9	105.7	114.0	109.4
Gypsum Mallboard	127.7	129.6	132.4	132.8	133.7	132.3	134.5	134.6	126.4	133.3	133.9
Hardware	102.7	99.2	99.4	99.8	102.4	103.7	104.5	104.5	100.9	102.4	103.8
Lumber Products	121.8	126.1	125.7	128.0	128.4	129.3	128.7	127.5	122.9	128.3	126.6
Paint	106.0	98.2	100.2	100.6	104.7	105.9	107.1	108.2	101.9	104.6	109.1
Plywood	137.1	144.3	142.9	149.6	147.2	148.6	148.2	147.3	138.7	146.6	145.2

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 26, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Building material sales to climb most in tourism dependent Mountain states

(Continued from page 12)

Building material sales will increase the most in those states that are dependent upon tourism, office equipment production and federal government employment. These states are not major energy or agricultural goods producers.

Strongest growth states

Building material sales in Arizona will increase 19% this year in dollar volume, the strongest gain in the region. The state economy has been strong over the past year—employment up 4.8% from a year ago, resales increased 19.9% in 1985, and the unemployment rate is 6.4%.

Nevada's building material sales will rise 17%. The state has a major service sector and concerns with overseas travel will increase local employment. Employment is running 3.4% ahead of a yeaqr ago, resales rose 6.4% in 1985 and the unemployment rate is 7.5%.

Utah will see sales of building materials inccrease 16% in 1986. Employment is up 3.2% from a year ago, resales rose 4.8% in 1985 and the unemployment rate is a regional low of 5.7%.

Building material sales will increase the most in those states that are dependent upon tourism, office equipment production and federal government employment. These states are not major energy or agricultural goods producers.

Moderate growth states

States that have less tourism and more manufacturing and mining will have sales' increases that are lower.

Building material sales in Colorado will rise 14% in dollar volume this year. The state is the major manufacturer in the area. The state is also an energy producing state, and weakness in coal demand will limit the expansion. Employment is up 1.9% from last year, resales rose 4.7% and the unemployment rate is 6.2%.

New Mexico's building material sales will rise 13%. The state has a large tourist industry but the local economy was weak last year. Employment was up only 1.3%, resales 3.7% and unemployment stood at 9.2%.

Sales of building materials will increase 8% in Wyoming in 1986. The state has significant petroleum and coal mining. Employment is up only 0.4% from last year, resales up 4.9% and the unemployment rate 10.6%—the highest in the region.

Lowest Growth States

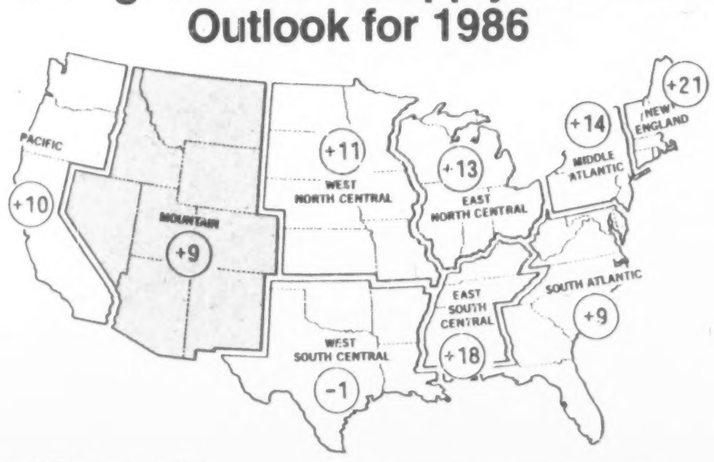
States with heavy concentrations in mining or lumber will show the lowest gains this year. Local economies are small and not diverse.

Idaho's building material sales will increase only 3% this year in dollar volume, down 1L% in real volume. Employment is up only 0.9% from last year, resales declined 6.5% and the unemployment rate is 9.8%.

Montana will be the worst state for building material sales in 1986—unchanged in dollar volume, down 4% in real activity. Employment is up a mere 0.2%, resales dropped 10.5% in 1985 and the unemployment rate is 9.2%.

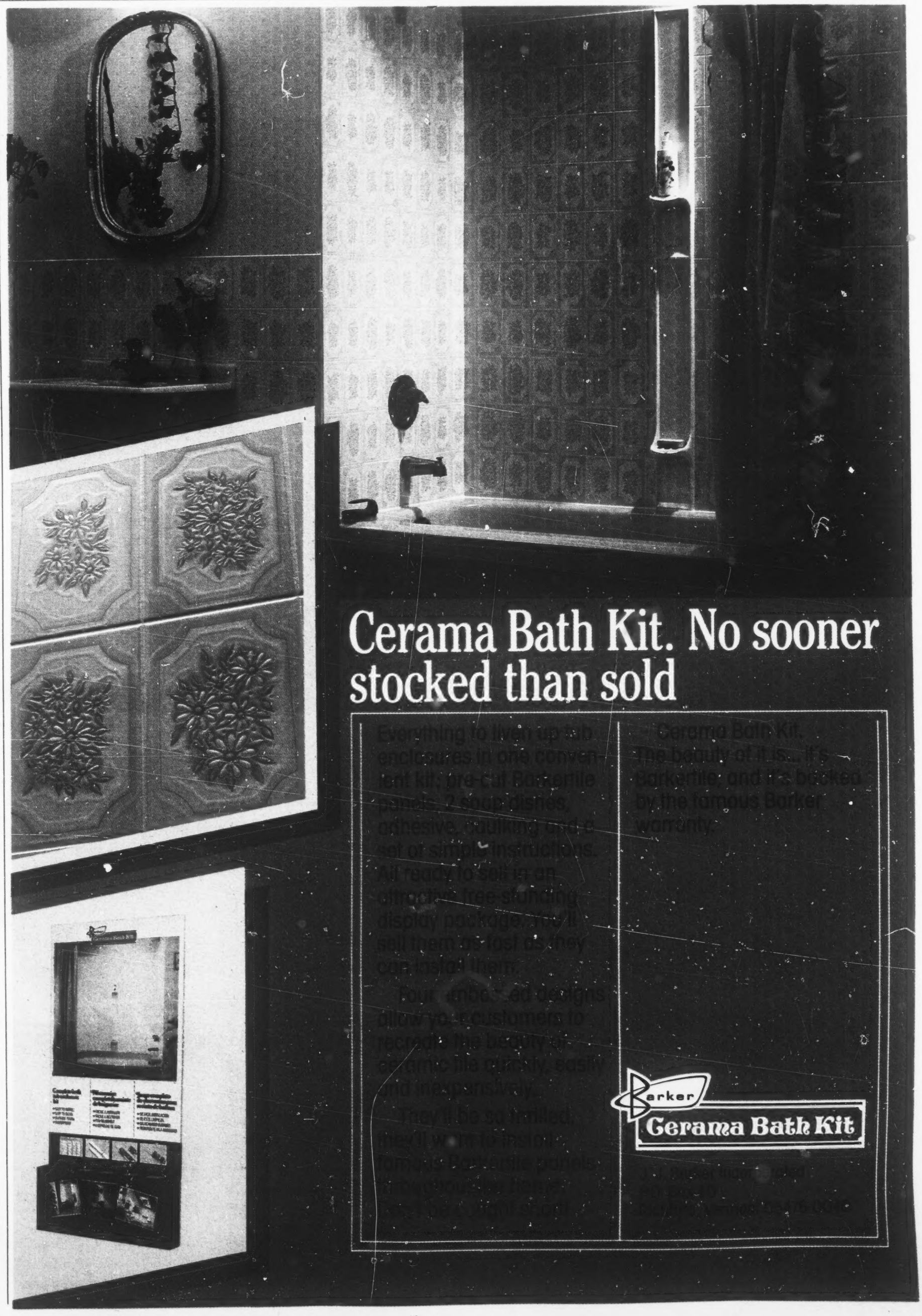
Richard E. Mount is senior economist and manager of housing construction material research for Merrill Lynch Economics.

Building material & supply store sales Outlook for 1986



United States +11

Source: Merrill Lynch Economics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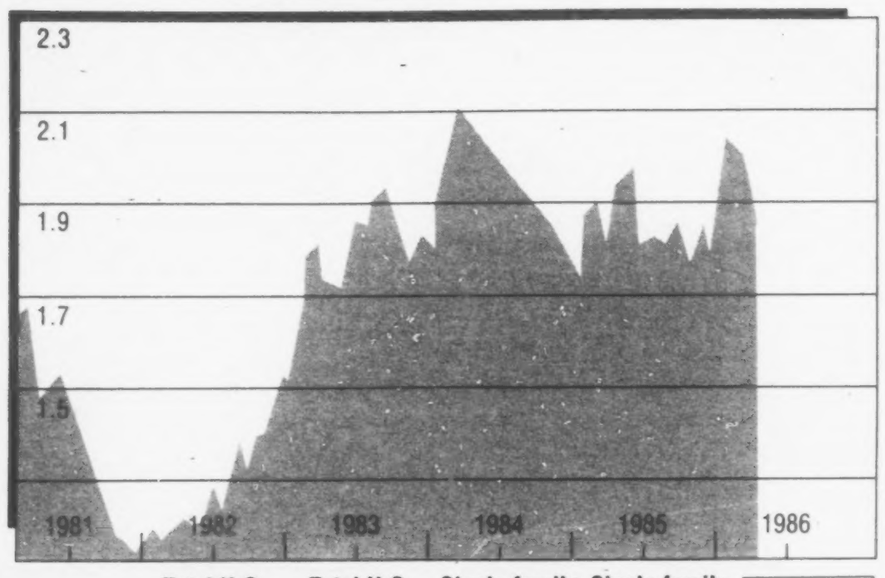
HOUSING WATCH

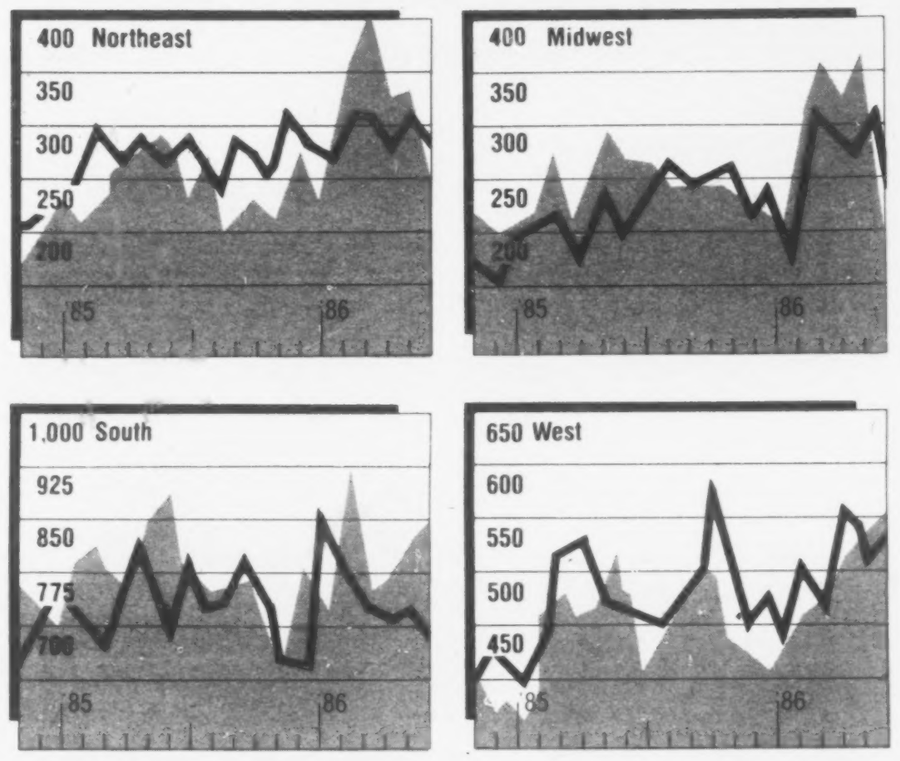
National housing starts and permits
(seasonally adjusted annual rates, in millions)



	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
May '86	1,888	1,785	1,262	1,098
April '86	2,039	1,885	1,262	1,139
May '85	1,684	1,727	1,041	926

Key: Starts, Permits

Regional housing starts and permits
(in thousands)



May starts fall 7.4%, 12% above '85 pace

NATIONAL REPORT — Housing starts fell 7.4% in May to a seasonally adjusted 1.888 million units, the U.S. Commerce Department reported. It was the largest monthly drop in a year.

Despite this setback, starts were 12% above the pace set in May 1985. Single family starts, which totaled 1.26 million units, seasonally adjusted, were unchanged from April, and were 21% above its year-earlier pace.

The April-to-May starts decline was blamed on the weakening multi-family housing sector.

Permit activity also fell in May, down 5.3% to an annualized 1.785 million units. Single family permits also slipped, dipping 3.6% to 1.098 million units, seasonally adjusted.

The activity decline—which was expected—coupled with the recent rise in mortgage rates does not upset the overall strength of the housing market asserted Gopal Ahluwalia, assistant staff vp/director of research at the National Association of Home Builders (NAHB).

Ahluwalia said 1986 will be a strong housing starts year. Starts should total 1.8 million units, 1.2 million to 1.3 million

Regional Housing
(in thousands)

	May '86 starts	% chg.	May '86 permits	% chg.
Northeast	252	−24.8	273	− 9.6
West	550	+ 2.8	532	+ 1.7
South	839	+ 5.0	682	− 6.2
Midwest	247	−33.2	298	−10.5

Source: U.S. Commerce Department

of which would be in single family dwellings.

Activity in the four regions varied in May: the Midwest and Northeast recorded huge decreases in starts and moderate declines in permits, while the South and West posted small starts gains.

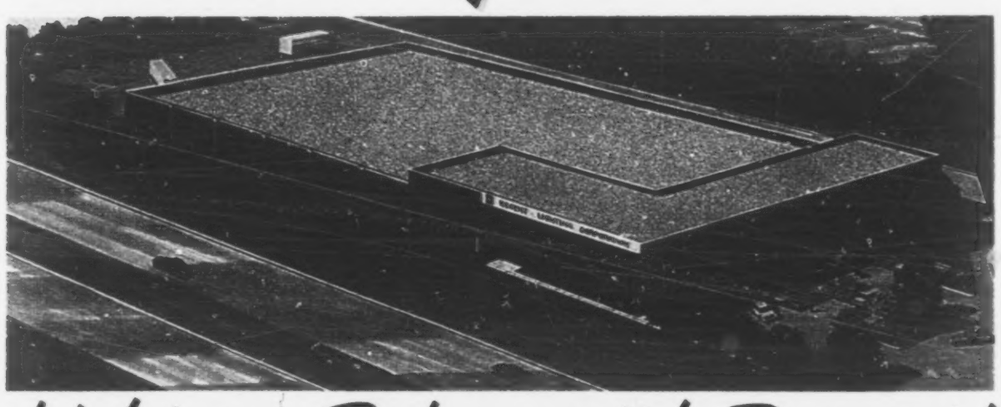
Only in the West did both starts and permits increase in May. Permit activity was up a mere 1.7% to 532,000 units, seasonally adjusted, a 16.4% increase over its May 1985 pace. Starts edged up 2.8% to 550,000 units, a 22.8% increase over the same month last year.

Housing starts rose 5% in the South in May, to an annualized rate of 839,000 units, the largest regional increase. Permits, however, dropped 6.2%, to 682,000 units, seasonally adjusted.

The Midwest posted the largest starts decline of any region in May, down a whopping 33.2% to 247,000 units, seasonally adjusted, 2% below its May 1985 pace. Its permit activity was also down, by 10.5% to 298,000 units.

The Northeast also reported a substantial decline in its housing starts activity, down 24.8% to 252,000 units, seasonally adjusted. The pace was still 5.4% ahead of May 1985. Permit activity was down 9.6% to 273,000 units, seasonsllly adjusted, up 5.8% from a year ago.

GO WITH THE GLOW...



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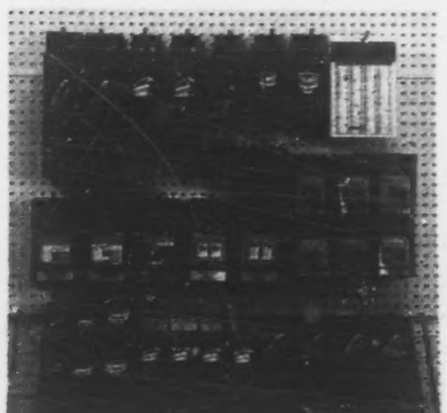

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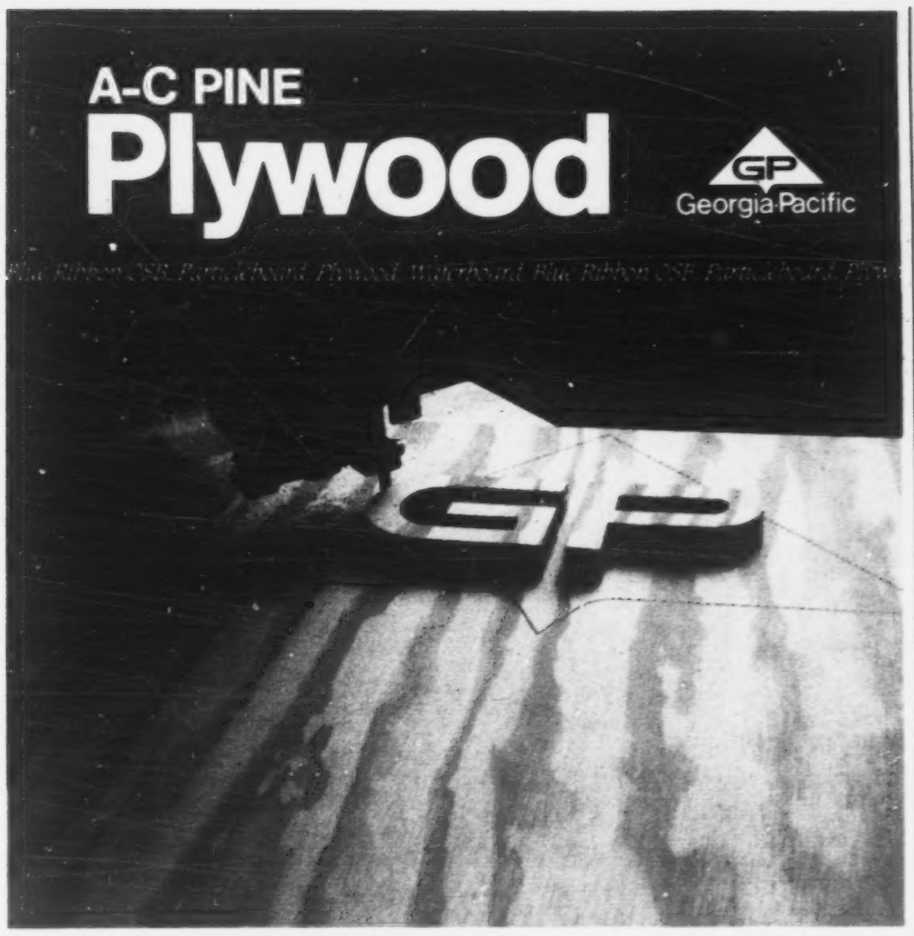

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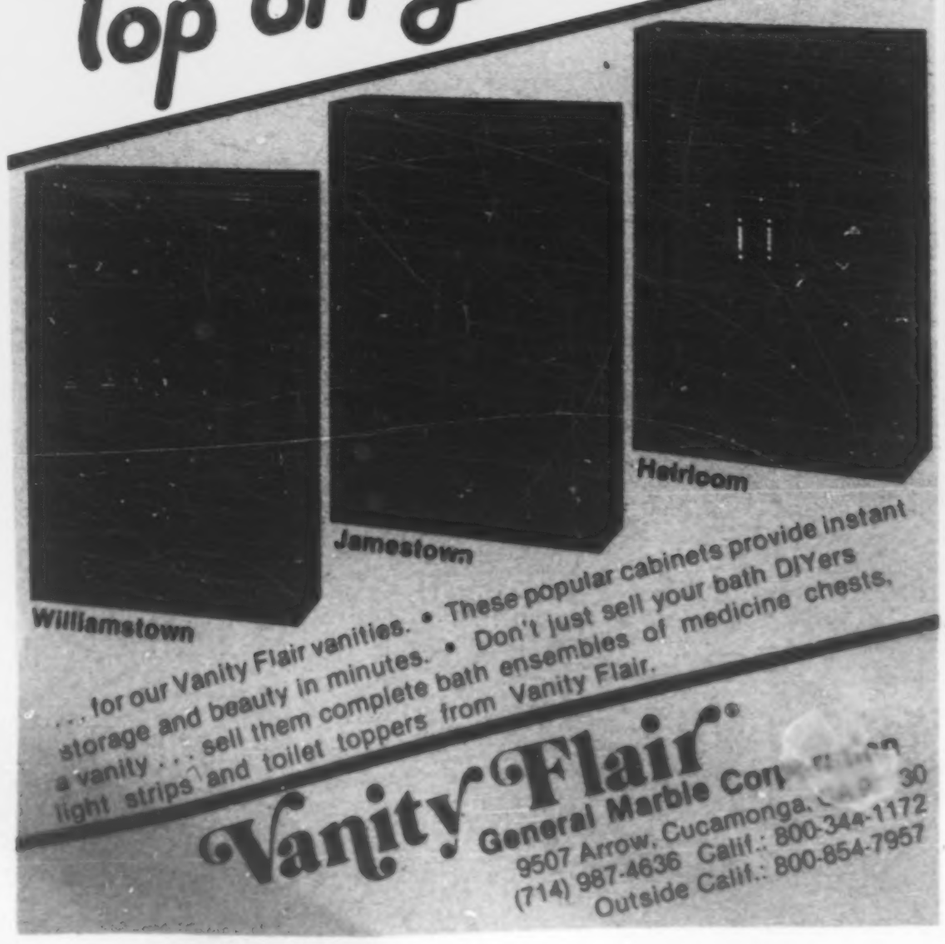

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LUMBER REPORT

Strike at Weyerhaeuser mills not expected to affect supply

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — The woodworkers strike at Weyerhaeuser Co.'s northwestern mills was expected to have little effect on retail lumber supply or prices.

Industry observers note that with the exception of Weyerhaeuser, lumber and plywood manufacturers have cranked up production full steam to coincide with the traditional height of the summer construction season.

Further, with inventories and the distribution pipeline saturated from years of overproduction, the only impact of the Weyerhaeuser strike may be limited to the company itself.

About 7,000 members of the International Wood Workers of America and the Lumber Production and Industrial Workers unions walked off their jobs June 16 from 22 Weyerhaeuser mills and logging operations in Oregon and Washington, about a week after intense bargaining failed to reach agreement on a new contract. No Weyerhaeuser distribution facilities or mill operations in the South or Canada were affected.

At issue in the bitter work stopage was management's proposal that unionized workers at the financially ailing company accept a 20% cut in salaries and benefits, roughly an hourly wage concession of $4.30. Company officials insist that the givebacks are necessary in order for the firm to remain competitive with southern and nonunionized mills, which pay their workers far less than the $20 an hour wage the average Weyerhaeuser worker earns.

Woodworkers resisted with the strike and produced a counter proposal that featured a partial acceptance of wage cutbacks if Weyerhaeuser created a profit-sharing plan. Other details of the union's plan could not be learned by press time.

The company responded with a profit-sharing plan that would go into effect whenever individual operating units earned a 5% profit on sales. Weyerhaeuser set a June 23 deadline to end negotiations.

The union rejected the offer and a request was make to the Federal Mediation Service to intervene in the dispute.

Meanwhile, contract negotiations at plywood mills of Boise Cascade and Champion International have not been marred by strikes, though the threat had been looming since agreements expired in May.

Jim Bradbury, a spokesman for Weyerhaeuser, said it was difficult to predict how long the workers would stay out. For the company's part, Bradbury said salaried supervisory employees would operate some of the mills and if the strike is prolonged, he indicated that nonunion workers would be hired to meet the company's commitments to customers.

Wall Street and other industry observers have been watching the effects of the strike on Weyerhaeuser with great interest, even though there is a broad consensus that there will be few ripples in supply or prices from the work stoppage.

Part of the reason for the widespread belief that the strike would have negligible ramifications can be found in the company's own 1985 annual report.

Weyerhaeuser's northwestern mills accounted for only 2.5%, or 1.3 billion board feet, of the 52 billion board feet of lumber produced in North America last year. Although Weyerhaeuser remains the world's largest producer of framing lumber, it long ago lost its rank as the biggest distributor of lumber and building materials to Georgia-Pacific.

But its production of lumber is also faltering. According to its annual report, Weyerhaeuser produced 2.5 billion board feet of lumber last year, below the 2.9 billion board feet it churned out in 1985, and lower still than the 2.7 billion board feet it produced in 1982, the worst year of the recession. Moreover, its 1985 plywood output of 1 billion board feet was the lowest for any year in the 80's.

"What we're looking at is nothing less than a one-time giant in a severe state of decline," said George Matthews, a forest products analyst with Dean Witter.

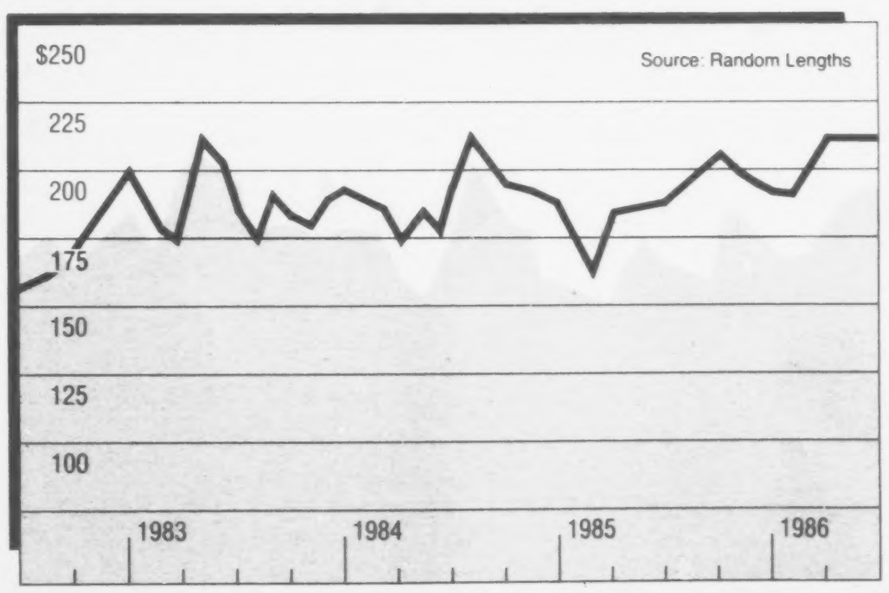
Although Matthews praised the company's efforts to improve its bottom line by cutting some 7,000 employees from its payroll over the past five years, revenues have still dropped from $5.5 billion in 1984 to $5.2 billion last year.

But George Adler, an analyst with Smith Barney, argued that Weyerhaeuser is at a critical turning point in its history and faces a series of labor problems that must be solved during the contract ne-

(Continued on page 76)

Commodity close-up

Western and Southern Plywood
Average monthly mill prices
(per thousand board feet)



The month of May ended with plywood prices showing mixed price levels. Douglas fir ½-in. CD ext. 4/5 ply held steady at $214 per thousand board feet for a monthly average while southern pine ½-in. CD Ext. 3 ply rose $7 to $182 per thousand board feet.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended June 19, 1986

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
July '86	177.60	164.00	177.60	162.00	2,051	190.90	144.0
Sept.	174.90	164.80	174.60	162.40	2,161	182.40	145.00
Nov.	171.80	163.00	170.30	161.00	1,193	174.50	146.00
Jan. '87	173.30	166.10	172.30	166.00	331	175.00	150.00
Mar.	174.20	167.50	173.50	166.50	165	175.50	153.00
May	174.50	168.00	174.50	166.50	60	174.50	160.00
July	175.50	163.00	175.50	162.00	15	175.50	162.00

Total Contract Vol. (Through6/19): 20,765 **Previous Two Weeks: 21,542**
Total Open Interest (As of 6/19): 5,976 **Previous Week: 6,303**
Cash Price: $170.52 **Previous Week: $160.72** **Year Ago: $152.88**

CME—Chicago Mercantile Exchange
*Figures for Thursday, June 19
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

CALENDAR

Major Shows

Aug. 10-13
National Hardware Show Hardware Industry Week, McCormick Place, Chicago. Produced and managed by Cahners Exposition Group. Contact Julie Prazmark, 203-964-0000. Sponsored and conducted by the American Hardware Manufacturers Assn. Contact William P. Farrell, 312-885-1025.

Oct. 5-7
D-I-Y Marketing 86, Jacob K. Javits Convention Center, New York, N.Y. Contact Rita Kotch, 212-370-5005.

Oct. 9-16
National Lumber & Building Material Dealers Association Convention, Crown Center Hotel, Kansas City, Mo. 202-547-2230.

Oct. 26-29
National Hardware Convention, Hilton Hawaiian Village, Honolulu. 312-885-1025.

Nov. 3-7
83rd semiannual **International Housewares Exposition,** McCormick Place Exhibition Complex, Chicago. 312-644-3333.

Nov. 9-12
National Building Material Distributors Association Fall Meeting/Convention, Hyatt Regency, Chicago. 312-724-6900.

1986

July

July 26-27
Amarillo Hardware Co. Fall Red Carpet Buyers Market, Amarillo Civic X Center, 3rd & Buchanan, Amarillo, Tex. 806-376-4722.

July 28-30
International Lawn, Garden & Power Equipment EXPO '86, Kentucky Fair & Exposition Center, Louisville, Ky. Sponsored by the Outdoor Power Equipment Institute Inc. Contact Polly Moter, 1-800-558-8767.

August

Aug. 23-24
Moore-Handley Hardware Division Fall and Winter Dealer Buying Show, Birmingham/Jefferson Civic Center Exhibition Hall, Birmingham, Ala. 205-663-8011.

September

Sept. 6-7
Hardware Supply Company of Philadelphia, 15th Annual Dealer Market, Adam's Mark Hotel, City Line and Monuement Rd., Phila. Contact Tom Edler, 215-365-7800.

Sept. 7-10
California Pacific Southwest Hardware Assn. 86th Annual Convention & Management Institute, San Francisco Hilton Hotel, San Francisco, Calif. Contact the assn. at 415-552-0536.

Sept. 19-28
American Hardware Supply Company's Fall Market, Baltimore, Md.

Sept. 20-21
S&T Wholesale Hardware Spring and Summer Merchandise Market, Kentucky Fair & Exposition Center, Louisville, Ky. Contact Henry London, market coordinator, 812-283-6661.

Sept. 21-24
28th Retail Systems, Technology and Communications Conference, Anaheim, Calif. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

Sept. 27-28
Handy's Great American Market, Astroarena Exposition Center-Astrodome Complex, Houston, Tex. Sponsored by Handy Hardware Wholesale Inc. Contact James A. Erke, vp director of marketing, 713-644-1495.

Sept. 28-Oct. 1
Credit Management Conference, Dallas. Sponsored by the National Retail Merchants Assn. For more information contact the association's Conferences & Special Services, 212-244-8780.

Men and women view shopping in DIY stores similarly

(Continued from page 32)

Perhaps the biggest beef women expressed, however, about most home improvement operations was the sense of being discriminated against by in-store sales personnel who either ignored them or made them feel their questions about home improvement were "dumb."

In this case, women felt the perpetuation of a store's "macho" reputation was most manifest and most offensive. What annoyed the women perhaps the most in the focus groups was the fact that in many instances, they knew more about the project and products they were inquiring about than the salesmen who waited on them.

However, comments from the men and women interviewed in all of the focus groups also suggest that home improvement stores that cater to stereotypes about male and female shoppers are doing so at risk of sacrificing business.

Take, for instance, the comment from one of the women in the study who said she "loved lumber," and liked being around the oak, pine and cedar when she shopped, which flies in the face of most males' assumptions.

It was significant, too, to observe that men were more vocal than women in making suggestions about how tile and wallpaper should be displayed in a store, and how those displays could be improved.

More importantly, though, it is clear that married couples generally go to these stores together, so the shopping environment had better appeal to both, especially considering that women are making many of the decisions about what products get into a home.

Secondly, the differentiation between what men and women want from a store, if taken literally, can narrow a retailer's ability to sell to both. Male and female customers participating in the study said they prefer to shop in stores that helped them realize their home improvement dreams. And those dreams, surprisingly enough, are not so easily separated between the genders.

One Chicago-area male shopper said he did not care for an elaborate Kohler sink display in Mr. HOW Warehouse because "I couldn't visualize how it would look with the vanities, the cabinets, the wallpaper."

Men and women also seek out a comfort level from the stores they shop that is not always presented to them. Both sexes balked at shopping in what they referred to as "an obstacle course" some warehouse stores have become because of all the merchandise left in their aisles unattended.

Common preferences

Both groups said they like variety in the departments they shop, and sought quality and low pricing on the merchandise they bought.

And the comments of some female shoppers again flew in the face of conventional wisdom about a store's offering a broader selection of such products as housewares and non-home improvement type items to attract a wider range of women shoppers.

The women customers gave the example of Mr. Goodbuys expanding into bedding and linens—two categories generally viewed by retailers as "women's products—and questioned the store's commitment to its core merchandise mix. This level of discernment about product mix transcends gender classification.

Strike at Weyerhaeuser mills not expected to affect supply

(Continued from page 16)

gotiations. Adler suggested that Weyerhaeuser should follow the Louisiana-Pacific Co. example which, three years ago, kicked the union out of all but one or two of its northwestern mills when the contract expired and replaced unionized workers with nonunion employees.

"Weyerhaeuser has gotten itself in a critical position," Adler said. "Three years ago when L-P did not go along with the rest of the industry, when the other companies did, the unions went out on strike, and L-P replaced their striking workers. Now that company is almost totally nonunion.

"Now other companies realize they have to do similar things to get wage levels down to competitive levels."

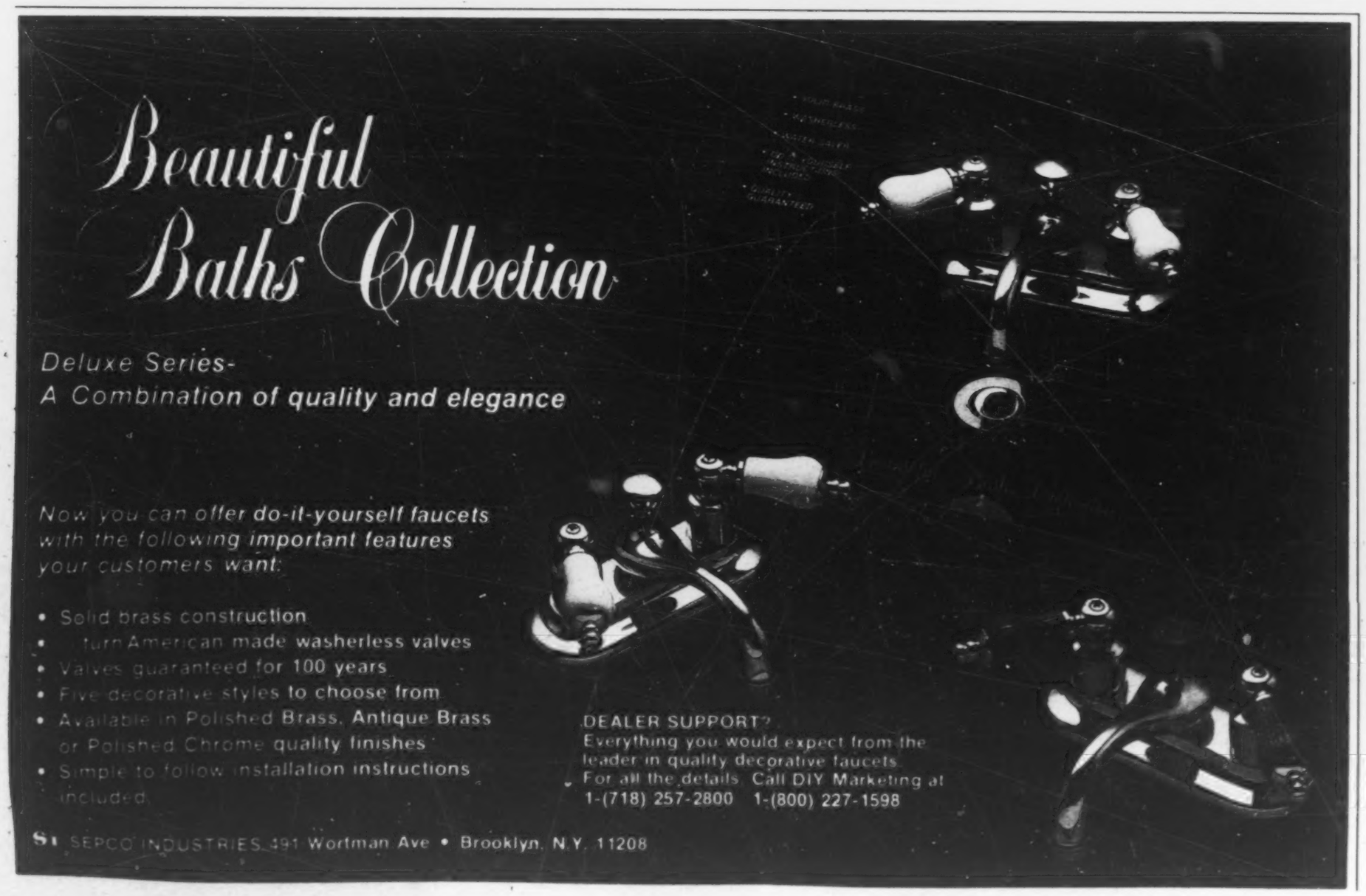
Adler said a more grave and unique labor problem of Weyerhaeuser's is employing its own logging crews. Adler said most of the industry has adopted the practice of hiring independent loggers at substantially lower wages and minimal benefits to harvest forest.

"There is no doubt that Weyerhaeuser has to get those wages down," he said. "They have two opitions: Either fire them or compromise.

"They cannot give on the basic issues."

Jon Anderson, editor of *Random Lengths*, the forest products industry trading newsletter, said there had been some evidence that the "psychological effect" of the Weyerhaeuser strike pushed prices up during the first week of the work action.

"There was a lot of scrambling around in the Northwest because traders thought Weyerhaeuser's labor problems would spread to other mills," Anderson said. "But this strike will not have much impact with so much lumber already in the pipeline. There was 52 billion board feet of lumber produced in North America last year and indications are that we are well ahead of that pace."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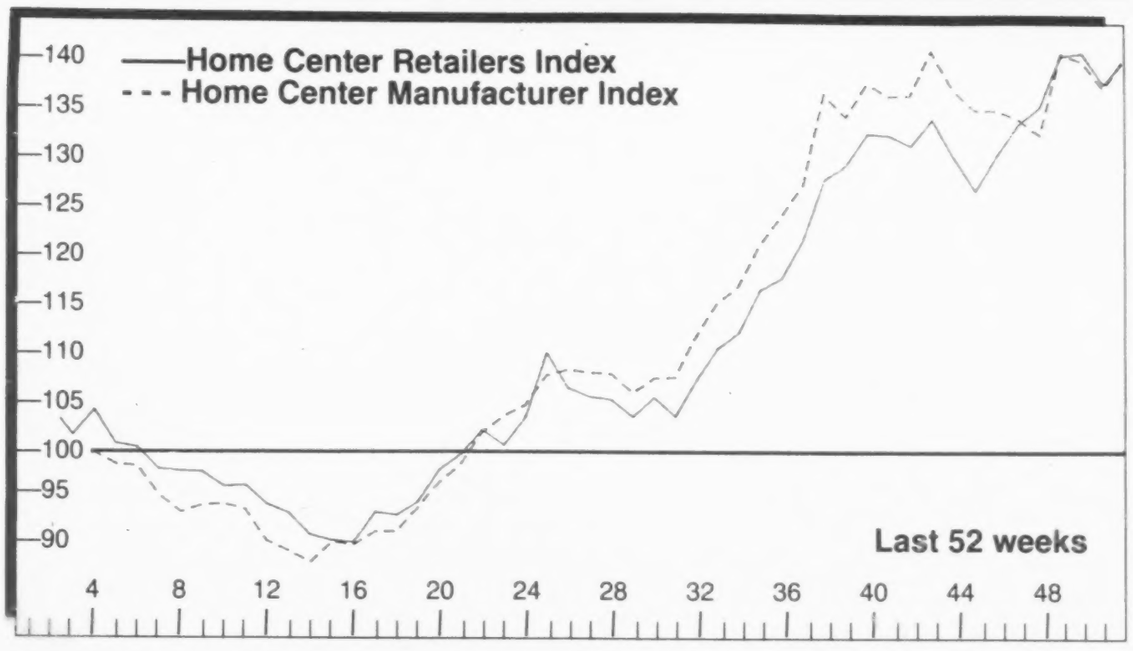
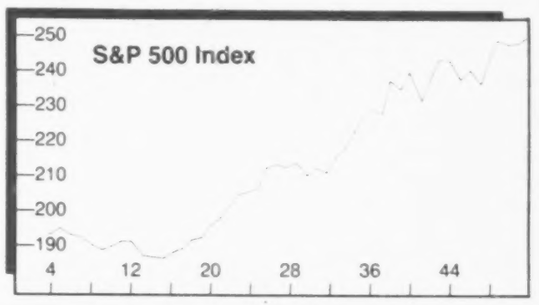


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
6-27-86	(100)	%	%
SW Forest Ind ..... N	15,366	562.4	- 6.4
Natl Hardgoods ..... M	720	441.7	14.5
Macmillan Bloedel ..... M	2,342	406.7	2.9
Mich General ..... A	7,012	390.5	- 6.7
Color Tile ..... M	8,309	227.1	9.4
Sherwin-Wms ..... N	11,915	215.9	- 4.8
Lewis Palmer ..... M	1,161	197.0	15.4
Stanley Works ..... N	6,031	174.7	- 4.7
Zayre Corp ..... N	22,034	146.7	.0
Hechinger B ..... M	1,480	145.0	1.4

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 6-27-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Lewis Palmer ..... M	9.38	15.4	1,161
Natl Hardgoods ..... M	8.88	14.5	720
Waxman Ind ..... M	15.25	10.9	1,458
Color Tile ..... M	24.63	9.4	8,309
K mart Cp ..... N	56.38	5.6	66,433
Walter, Jim ..... N	44.50	4.7	9,446
INTERCO Inc ..... N	94.00	4.3	2,940
Natl Lumber ..... M	6.50	4.0	1,031
Masco Corp ..... N	33.25	3.5	17,320
Mor-Flo Inds ..... M	16.00	3.2	80
Losers	**$**	**%**	**(100)**
Homecrafters Whse ..... M	.63	- 16.7	555
Manville Cp ..... N	2.75	- 8.3	8,697
Std Brd Pnt ..... N	23.00	- 8.0	4,669
Armstrng Wrld ..... N	64.13	- 7.7	6,161
Mich General ..... A	3.50	- 6.7	7,012
Pope & Talbot ..... N	19.50	- 6.6	1,304
SW Forest Ind ..... N	12.75	- 6.4	15,366
Champ Intl ..... N	24.38	- 6.3	31,681
Wickes Cos ..... A	5.88	- 6.0	63,521
Emhart Corp ..... N	35.63	- 5.6	4,700

National Home Center News®

HOME CENTER MARKET SUMMARY

Company and Market	2-Weeks Ended 6-27-86	Price 2-Weeks Change Amt.	Price 2-Weeks Change Pct.	Price 2-Week Range High	Price 2-Week Range Low	Price 52-Week Range High	Price 52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Color Tile ..... M	24.63	2.13	9.4	24.63	22.50	24.63	16.88	8,309	8.80	2.69	227.1	16.4	.00	.0	.....	9 mos.	03-86
Erb Lumber ..... M	73.00	- 4.00	- 5.2	77.00	73.00	77.00	20.75	205	2.45	1.05	133.3	10.6	.00	.0	.....	3 mos.	03-86
Forest City Ent ..... A	30.38	- .63	- 2.0	31.13	30.38	31.25	22.00	239	.30	.16	87.5	41.6	.30	1.0	NEW	3 mos.	04-86
Grace W R ..... N	54.25	- 1.25	- 2.3	55.50	52.75	60.75	35.50	20,078	3.69	2.94	25.5	26.9	2.80	5.2	.....	3 mos.	03-86
Handyman ..... A	31.50	.00	.0	31.63	31.50	36.00	21.75	68	.26	.64	- 59.4	NA	.20	.6	.....		03-86
Hechinger A ..... M	22.25	.66	3.0	22.25	21.41	23.59	12.81	5,623	5.14	3.00	71.3	NA	.16	.7	.....		00-00
Hechinger B ..... M	22.50	.31	1.4	22.50	21.41	23.59	12.81	1,480	.49	.20	145.0	28.1	.06	.3	.....	3 mos.	04-86
Homecrafters Whse ..... M	.63	- .13	- 16.7	0.88	0.63	8.63	.63	555	1.96	1.85	5.9	NE	.00	.0	NEW	fiscal	01-86
Home Depot ..... N	21.38	.50	2.4	21.75	19.50	21.75	10.50	8,759	3.49	2.80	24.6	47.5	.00	.0	.....	3 mos.	04-86
INTERCO Inc ..... N	94.00	3.88	4.3	94.25	89.25	94.25	62.75	2,940	2.06	1.30	58.5	15.6	3.08	3.3	NEW	3 mos.	05-86
K mart Cp ..... N	56.38	3.00	5.6	56.63	51.63	56.63	30.63	66,433	5.28	3.04	73.7	28.6	1.48	2.6	.....	3 mos.	04-86
Lowe's Cos ..... N	36.00	- 1.38	- 3.7	37.50	33.75	41.50	20.75	14,123	3.61	1.54	134.4	22.2	.40	1.1	.....	3 mos.	04-86
Mich General ..... A	3.50	- .25	- 6.7	3.75	3.38	6.13	3.25	7,012	6.18	1.26	390.5	NE	.00	.0	.....	3 mos.	03-86
Natl Hardgoods ..... M	8.88	1.13	14.5	9.00	7.38	9.00	5.50	720	5.85	1.08	441.7	21.1	.00	.0	.....	3 mos.	04-86
Natl Lumber ..... M	6.50	.25	4.0	7.00	5.75	7.25	4.00	1,031	1.83	1.05	74.3	NE	.00	.0	NEW	*	04-86
Pay N Pak ..... N	18.38	- .25	- 1.3	19.13	17.88	19.38	11.63	1,931	1.93	2.73	- 29.3	21.9	.64	3.5	NEW	3 mos.	05-86
Payless Cash ..... N	26.00	- .75	- 2.8	27.00	25.50	27.50	13.50	13,701	3.95	2.36	67.4	21.7	.16	.6	NEW	6 mos.	05-86
Scotty's Inc ..... N	17.25	- .50	- 2.8	18.00	16.88	18.13	12.38	1,122	.78	.68	14.7	16.3	.52	3.0	.....	9 mos.	03-86
Sears, Roebuck ..... N	48.50	1.25	2.6	48.88	46.38	50.38	31.75	86,152	2.37	1.20	97.5	14.1	1.76	3.6	.....	3 mos.	03-86
Svc Merchandise ..... M	12.38	.00	.0	12.50	11.88	16.13	10.88	26,663	8.00	4.74	68.8	NE	.08	.6	.....	3 mos.	03-86
Std Brd Pnt ..... N	23.00	- 2.00	- 8.0	24.88	22.88	25.63	18.75	4,669	23.08	10.51	119.6	18.3	.58	2.5	.....	3 mos.	04-86
Supermkts Gen ..... N	62.00	1.50	2.5	63.88	60.25	63.88	39.88	3,098	1.62	1.21	33.9	17.4	.56	.9	.....	3 mos.	04-86
Wickes Cos ..... A	5.88	- .38	- 6.0	6.25	5.75	7.00	3.88	63,521	4.60	4.53	1.5	NA	.00	.0	.....		04-86
Wolohan Lumber ..... M	10.38	.13	1.2	10.50	10.38	10.75	5.25	1,960	3.35	2.37	41.4	16.2	.16	1.5	.....	3 mos.	03-86
Zayre Corp ..... N	42.00	.00	.0	43.50	41.19	43.50	23.88	22,034	3.70	1.50	146.7	25.8	.32	.8	.....	3 mos.	04-86
Wholesalers																	
Lewis Palmer ..... M	9.38	1.25	15.4	9.38	8.00	9.88	6.38	1,161	2.97	1.00	197.0	37.5	.28b	3.0	.....	3 mos.	04-86
Manufacturers																	
Allegheny Int ..... N	19.75	- 1.00	- 4.8	20.75	18.38	28.75	16.50	4,148	3.86	2.46	56.9	NE	.00	.0	.....	3 mos.	03-86
Am Standard ..... N	41.75	- .25	- .6	42.88	41.25	46.88	27.00	10,156	2.58	1.31	96.9	10.8	1.60	3.8	.....	3 mos.	03-86
Armstrng Wrld ..... N	64.13	- 5.38	- 7.7	69.75	63.50	69.88	31.88	6,161	2.57	1.53	68.0	14.6	1.44	2.2	.....	3 mos.	03-86
Black & Decker ..... N	20.63	- .75	- 3.5	21.38	19.75	25.25	17.25	17,299	2.99	3.67	- 18.5	42.1	.64	3.1	.....	6 mos.	03-86
Boise Cascade ..... N	58.50	.50	.9	59.88	57.13	59.88	39.63	7,620	2.82	1.43	97.2	18.5	1.90	3.2	.....	3 mos.	03-86
Certain-teed ..... N	35.88	- .50	- 1.4	37.25	35.00	38.50	22.38	2,016	1.06	.94	12.8	12.5	.90	2.5	.....	3 mos.	03-86
Champ Intl ..... N	24.38	- 1.63	- 6.3	26.13	24.13	29.75	20.25	31,681	3.41	1.85	84.3	17.9	.52	2.1	.....	3 mos.	03-86
Clopay Corp ..... A	22.50	.00	.0	22.63	22.50	23.00	11.25	119	.77	1.07	- 28.0	NE	.16	.7	.....	3 mos.	03-86
DeSoto Inc ..... N	40.38	.13	.3	40.50	40.00	41.38	31.50	493	1.03	.60	71.7	12.2	1.40	3.5	.....	3 mos.	03-86
Emhart Corp ..... N	35.63	- 2.13	- 5.6	38.75	35.63	42.63	26.38	4,700	1.70	1.46	16.4	11.9	1.40	3.9	.....	3 mos.	03-86
Georgia-Pacifc ..... N	31.88	- .63	- 1.9	34.25	31.63	34.25	20.63	23,083	2.24	1.32	69.7	23.4	.80	2.5	.....	3 mos.	03-86
Insilco Corp ..... N	21.50	- .38	- 1.7	22.00	19.88	24.50	16.63	4,405	2.24	1.27	76.4	15.6	1.00	4.7	.....	3 mos.	03-86
La Pacific ..... N	26.75	- .88	- 3.2	27.75	26.00	30.13	17.13	4,892	1.34	1.19	12.6	38.8	.80b	3.0	.....	3 mos.	03-86
Macmillan Bloedel ..... M	26.25	.75	2.9	28.63	25.88	28.63	12.47	2,342	.76	.15	406.7	19.6	.25b	1.0	.....	3 mos.	03-86
Manville Cp ..... N	2.75	- .25	- 8.3	3.13	2.75	8.88	2.50	8,697	3.62	6.89	- 47.5	NE	.00	.0	.....	3 mos.	03-86
Masco Corp ..... N	33.25	1.13	3.5	34.50	31.88	34.50	15.25	17,320	1.35	.82	64.6	25.2	.32	1.0	.....	3 mos.	03-86
Mor-Flo Inds ..... M	16.00	.50	3.2	16.50	16.00	19.25	14.50	80	.32	.36	- 11.1	12.5	.01	.1	.....	3 mos.	03-86
Newell Co ..... N	34.38	- 2.00	- 5.5	36.75	34.13	36.75	15.63	2,198	2.20	1.09	101.8	15.8	.70	2.0	.....	3 mos.	03-86
Owens Corning ..... N	46.75	- 2.75	- 5.6	50.00	46.50	56.75	32.13	11,880	3.99	1.88	112.2	11.0	1.40	3.0	.....	3 mos.	03-86
Ply-Gem ..... A	14.13	- .38	- 2.6	14.75	14.00	15.50	9.59	1,423	1.94	1.72	12.8	19.6	.12	.8	.....	3 mos.	03-86
Pope & Talbot ..... N	19.50	- 1.38	- 6.6	21.25	18.75	24.75	16.75	1,304	2.17	.97	123.7	30.0	.80	4.1	.....	3 mos.	03-86
Potlatch Cp ..... N	50.38	1.50	3.1	50.38	48.63	50.88	32.25	1,084	.83	1.12	- 25.9	20.4	1.56	3.1	.....	3 mos.	03-86
Sherwin-Wms ..... N	27.00	- 1.38	- 4.8	29.50	25.50	32.25	16.63	11,915	2.59	.82	215.9	16.6	.50	1.9	.....	3 mos.	03-86
SW Forest Ind ..... N	12.75	- .88	- 6.4	13.75	12.50	15.88	9.88	15,366	15.17	2.29	562.4	NE	.00	.0	.....	3 mos.	03-86
Stanley Works ..... N	40.38	- 2.00	- 4.7	42.38	40.00	46.25	27.63	6,031	2.17	.79	174.7	14.1	1.04	2.6	.....	3 mos.	03-86
Thos Inds ..... N	22.00	- .75	- 3.3	23.00	21.75	26.75	15.94	366	.41	.47	- 12.8	12.0	.68b	3.1	.....	3 mos.	03-86
USG Corp ..... N	40.38	.63	1.6	40.75	39.00	42.75	18.31	11,666	1.80	1.24	45.2	11.4	.96	2.4	.....	3 mos.	03-86
Walter, Jim ..... N	44.50	2.00	4.7	45.50	42.38	48.00	26.00	9,446	3.26	1.64	98.8	16.7	1.40	3.1	NEW	9 mos.	05-86
Waxman Ind ..... M	15.25	1.50	10.9	15.25	13.88	17.13	10.00	1,458	4.65	2.38	95.4	18.8	.08	.5	.....	9 mos.	03-86
Weyerhaeuser ..... N	34.50	- 1.50	- 4.2	36.00	34.38	40.25	24.75	24,982	1.92	.97	97.9	24.8	1.30	3.8	.....	3 mos.	03-86

Company and Market	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Color Tile ..... M	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber ..... M	35.1	33.5	(.3)	NE	(.38)	NE	35.1	33.5	(.3)	NE	(.38)	NE
Forest City Ent ..... A	88.0	19.4	.2	.0	.03	50.0	88.0	19.4	.2	.0	.03	50.0
Grace W R ..... N	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0
Handyman ..... A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	136.9	19.5	4.9	28.9	.16	14.3	136.9	19.5	4.9	28.9	.16	14.3
Homecrafters Whse ..... M	41.4	17.6	(10.1)	NE	(3.62)	NE	184.4	17.9	(23.6)	NE	(8.42)	NE
Home Depot ..... N	222.6	53.5	5.1	168.4	.20	150.0	222.6	53.5	5.1	168.4	.20	150.0
INTERCO Inc ..... N	579.2	- 1.7	14.4	28.6	.91	28.2	579.2	- 1.7	14.4	28.6	.91	28.2
K mart Cp ..... N	5212.4	4.6	91.6	56.6	.70	52.2	5212.4	4.6	91.6	56.6	.70	52.2
Lowe's Cos ..... N	534.0	18.1	11.4	- 4.2	.31	- 6.1	534.0	18.1	11.4	- 4.2	.31	- 6.1
Mich General ..... A	91.2	3.5	(5.9)	NE	(.53)	NE	91.2	3.5	(5.9)	NE	(.53)	NE
Natl Hardgoods ..... M	6.5	- 3.0	.0	- 100.0	.03	200.0	6.5	- 3.0	.0	- 100.0	.03	200.0
Natl Lumber ..... M	NC	NC	NC	NC	NC	NC	32.6	NC	(.6)	NC	(.10)	NC
Pay N Pak ..... N	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash ..... N	428.8	14.1	15.6	20.0	.45	15.4	703.3	11.5	18.0	23.3	.52	18.2
Scotty's Inc ..... N	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise ..... M	457.1	31.7	(29.2)	NE	(.88)	NE	457.1	31.7	(29.2)	NE	(.88)	NE
Std Brd Pnt ..... N	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen ..... N	1337.3	10.0	12.3	4.2	.67	1.5	1337.3	10.0	12.3	4.2	.67	1.5
Wickes Cos ..... A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber ..... M	28.1	21.6	(.1)	NE	(.02)	NE	28.1	21.6	(.1)	NE	(.02)	NE
Zayre Corp ..... N	1044.5	32.2	16.7	9.9	.28	3.7	1044.5	32.2	16.7	9.9	.28	3.7
Wholesalers												
Lewis Palmer ..... M	33.8	2.4	.1	NC	.02	NC	33.8	2.4	.1	NC	.02	NC
Manufacturers												
Allegheny Int ..... N	467.2	- 7.3	11.9	133.3	.41	NE	467.2	- 7.3	11.9	133.3	.41	NE
Am Standard ..... N	715.0	6.8	50.2	147.3	1.30	150.0	715.0	6.8	50.2	147.3	1.30	150.0
Armstrng Wrld ..... N	430.9	14.4	22.9	27.9	.95	26.7	430.9	14.4	22.9	27.9	.95	26.7
Black & Decker ..... N	415.1	3.0	1.6	- 89.2	.02	- 93.1	936.8	3.4	22.5	- 48.6	.43	- 50.0
Boise Cascade ..... N	916.6	- 4.3	25.0	- 24.9	.83	- 25.9	916.6	- 4.3	25.0	- 24.9	.83	- 25.9
Certain-teed ..... N	255.0	.8	10.5	28.0	.56	36.6	255.0	.8	10.5	28.0	.56	36.6
Champ Intl ..... N	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5
Clopay Corp ..... A	32.4	11.0	.4	NE	.25	NE	32.4	11.0	.4	NE	.25	NE
DeSoto Inc ..... N	96.8	4.1	2.4	200.0	.51	200.0	96.8	4.1	2.4	200.0	.51	200.0
Emhart Corp ..... N	509.6	21.4	18.0	16.9	.65	16.1	509.6	21.4	18.0	16.9	.65	16.1
Georgia-Pacifc ..... N	1604.0	1.5	30.0	- 38.8	.25	- 41.9	1604.0	1.5	30.0	- 38.8	.25	- 41.9
Insilco Corp ..... N	180.3	- 8.6	6.8	13.3	.34	3.0	180.3	- 8.6	6.8	13.3	.34	3.0
La Pacific ..... N	322.6	19.0	1.4	- 41.7	.04	- 42.9	322.6	19.0	1.4	- 41.7	.04	- 42.9
Macmillan Bloedel ..... M	613.2	13.9	29.2	1023.1	.68	NE	613.2	13.9	29.2	1023.1	.68	NE
Manville Cp ..... N	455.5	5.1	12.0	- 1.6	.24	- 4.0	455.5	5.1	12.0	- 1.6	.24	- 4.0
Masco Corp ..... N	308.0	34.5	45.1	27.0	.35	12.9	308.0	34.5	45.1	27.0	.35	12.9
Mor-Flo Inds ..... M	52.4	.0	.7	- 58.8	.28	- 56.9	52.4	.0	.7	- 58.8	.28	- 56.9
Newell Co ..... N	94.5	18.9	4.1	28.1	.44	25.7	94.5	18.9	4.1	28.1	.44	25.7
Owens Corning ..... N	866.1	27.7	22.9	- 18.2	.77	- 18.9	866.1	27.7	22.9	- 18.2	.77	- 18.9
Ply-Gem ..... A	50.6	24.3	2.0	81.8	.26	30.0	50.6	24.3	2.0	81.8	.26	30.0
Pope & Talbot ..... N	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0
Potlatch Cp ..... N	233.3	- .6	13.6	18.3	.95	41.8	233.3	- .6	13.6	18.3	.95	41.8
Sherwin-Wms ..... N	502.7	2.2	6.9	21.1	.15	15.4	502.7	2.2	6.9	21.1	.15	15.4
SW Forest Ind ..... N	142.5	- 16.4	(8.0)	NE	(.94)	NE	142.5	- 16.4	(8.0)	NE	(.94)	NE
Stanley Works ..... N	324.2	17.1	14.7	5.0	.53	1.9	324.2	17.1	14.7	5.0	.53	1.9
Thos Inds ..... N	70.8	- 4.2	3.2	.0	.36	5.9	70.8	- 4.2	3.2	.0	.36	5.9
USG Corp ..... N	622.1	5.7	51.7	21.6	.81	26.6	622.1	5.7	51.7	21.6	.81	26.6
Walter, Jim ..... N	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind ..... M	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser ..... N	1306.7	2.4	50.0	30.9	.31	29.2	1306.7	2.4	50.0	30.9	.31	29.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News

Vol. 12, No. 16 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. July 28, 1986

Power mowers displayed at Yard King Warehouse, Plantation, Fla.: Consumers are stepping up to mid and higher prices; retailers are looking to sell name brands. NHCN photo

Quality trend shifts sales to high-end lawn mowers

By Donald Longo
NHCN staff editor

NATIONAL REPORT — As consumers continue to look for higher quality power mowers loaded with convenience features, home center retailers are finding that the $99, 3½ horsepower model may no longer be their best seller.

But, while some vendors dispute the shift away from the budget mower, this trend to higher end models may foreshadow the establishment of a greater national name presence in a category that, in home centers at least, has tended to be dominated by a few premium brands and retailers' private label models.

In fact, at least one national name brand outdoor power equipment vendor plans to introduce a new line of direct-ship power mowers at the International Lawn, Garden and Power Equipment Expo in Louisville this month.

(Continued on page 45)

Wickes shutters 22 stores, shuffles people in takeover

By Brad Altman
NHCN staff editor

LOS ANGELES — Wickes Cos. is moving swiftly to close underperforming stores and eliminate some duplicate jobs in the wake of its June 29, $180 million acquisition of W.R. Grace's 47-unit Home Centers West and 21-unit Orchard Supply Hardware.

Nearly two-dozen stores including seven of 10 Handy Dan units in Colorado, six Builders Emporiums and seven Ole's in southern California and two Von Tobel's in Las Vegas, Nev., will soon be shuttered.

For the first quarter ended March 30, Grace West and Orchard Supply lost $1.6 million on sales of $139,919,000, according to SEC documents. The operations lost $200,000 on sales of $637,769,000 during 1985.

Wickes has named the key employees who will oversee the absorbtion of Grace Home Centers West into its Builders Emporium chain.

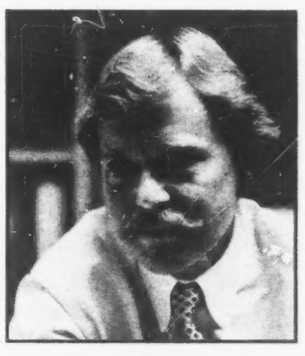
BE vp-merchandising Phyllis Friedman will be in charge of merchandising for both operations; BE vp-distribution

(Continued on page 78)

Lowe's testing pro-only units in limited markets

By Laura Liebeck
NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's has been experimenting with a new type of store, a pro-only outlet that is targeted at certain existing markets and at towns with significant construction activity but too little population to support a full-line store.



Ben Phillips

So far, Lowe's has three pro-only yards, located in Southport, N.C.; Charlotte, N.C., and most recently in Dallas. A fourth yard, in Myrtle Beach, S.C., will open in early September, according to M. Benfield Phillips, vp-corporate professional sales for the $2 billion North Wilkesboro-based company.

The target customers are professional builders and serious DIYers. The yards are not intended to replace the pro sales business at the retail stores, Phillips stressed.

"Lowe's will remain a two-gun operation servicing both

(Continued on page 78)

Service Merch. board mulls Mr. HOW fate

By an NHCN staff editor

NASHVILLE — Directors of Service Merchandise Company were expected to consider the fate of the Mr. HOW Warehouse chain at a scheduled board meeting here on July 16.

Sources close to the company said that Norman Darrer, president, and Hank Kirschner, senior vp, the two highest ranking executives of Mr. HOW, the 22-unit warehouse store subsidiary of Service Merchandise, presented separate plans to Service chair-

(Continued on page 78)

Evans' problems ran deeper than Posner's 'dictatorship'

By John Caulfield
NHCN staff editor

News Analysis

NEW YORK — He is reviled, even hated, by vendors and banks. *Forbes Magazine* referred to him recently as the Dracula of takeover artists. And now, the grandfather of leveraged buyouts is out at Evans Products Co.

Victor Posner, the secretive and controversial financier, was removed from his office as chairman of Evans after a U.S. Bankruptcy Court this month confirmed a creditors' plan for reorganizing Evans out of Chapter 11, part of which calls for his ouster.

During his stormy six years as an investor and, during the past three years, the chairman of Evans, Posner made some incredibly inpropitious moves that did nothing but antagonize his creditors. Evans' must be one of the few bankruptcies in history where banks—which will own nearly 70% of the reorganized company—are seen as the lesser of two evils.

Yet, Posner was more of a symbol of Evans' financial problems than the actual cause, as many tend to see him. And, where Evans' retail division is concerned, it can be argued that, in a bizarre way, he was a positive influence because he lent support to the company's efforts to upgrade and expand its operations, where the previous corporate management seemed to view Evans' home centers as little more than an earnings machine existing solely to meet corporate asset return criteria, sometimes at the expense of much-needed, in-store improvements.

Evans' fate, which ultimately led to its filing for Chapter 11 protection on March 11, 1985, had already been predestined under the regime of its now-retired chairman Monford Orloff, long before Posner took over.

By 1982, Evans was leveraged up to its neck with $700 million in debt, with many of its businesses—including its home building, forest products and rail car leasing divisions—foundering under a collapsing economy's weight.

It was Orloff's assumptions about the economy, on which he based Evans' growth plans, that, in retrospect, undermined Evans' ability to pay, or even service, its escalating debt. In a 1980 securities analyst meeting, for instance, he predicted interest rates would fall to 8% the following year. Instead, they rose to 21%.

Despite the economy and Orloff's projections, the retail division proved resilient. And Orloff squeezed all he could out of the home centers to stave off the drain on the company from its enormous debt.

From fiscal 1980 through the nine months ended Sept. 30, 1985, Evans' always-profitable Retail Group generated $280,988,000 in operating income. But most of that went to retire the $370,686,000 in interest expense Evans incurred during this period.

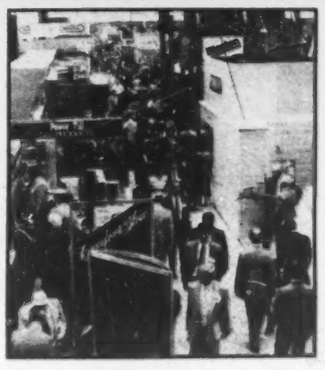
But, less has been made of

(Continued on page 8)

INSIDE

Pespectives: For family business owners planning for succession is often the most difficult, and agonizing decision they'll ever make. **21**
Merchandising: Unit shipments of outdoor power equipment are expected to show steady growth through 1987. **48**

Ad & Marketing: Owens-Corning has developed a new program to expand the pool of eligible home buyers through the use of its products. **54**
Hardware Show Preview: John Hechinger Jr. to deliver keynote address, eight retail seminers slated. **58**



NEWSBREAKS

THOMAS THORNTON JR. JOINING MR. GOODBUYS: Orchard Supply Hardware president and ceo Tom Thornton announced July 16 that he would resign to join the 14-unit Philadelphia-based Mr. Goodbuys as president, reporting to Steve Erlbaum, chairman.

MONTE A. LEEN JOINS LANOGA: Leen, 43, Kent, Wash.-based Pay 'N Pak's executive vp in charge of advertising, merchandising and purchasing is joining Lanoga Corp. on Aug. 7 in the position of vp-marketing & merchandising.

INDUSTRY UPDATE

Ganahl resumes biz after fire

LAKE ARROWHEAD, Calif. — Fire investigators have not determined the origin of a predawn fire on June 28 that caused $550,000 in damages and destroyed the original Ganahl building which had served this mountain community since 1927.

Peter Ganahl, president of the four-unit chain, said a cinderblock wall prevented the fire from spreading to a lumber storage area in the rear of the yard. Lumber shipments were resumed within four or five days to area contractors. Plans are underway to build a "state-of-the-art" retail facility to replace two fire-destroyed buildings.

Importer buys Builders Discount

PASADENA, Calif. — Builders Discount,the three-unit, family-run warehouse home center chain founded by Sol Lowi 16 years ago in North Hollywood, Calif., was bought recently by STG Imports, a Pasadena, Calif., importer of doors, hardware and cement mixers made in Israel and the Far East. STG Imports' president A. Rami Lehavi said that Sol Lowi will manage the company.

National sells Calif. property

FOUNTAIN VALLEY, Calif.—National Lumber has sold the remaining nine acres of its Ontario, Calif., property for $2.75 million. In February, in a lease-back transaction, National sold its 60,000-sq.-ft. Ontario store which occupies a contiguous 3.9 acres on the same site for $3 million.

Purchaser of the National Lumber property is United Income Properties, Inc., Beverly Hills, Calif., which intends to design and construct a neighborhood shopping center on the acreage.

Knox union agrees to contract

ST. PAUL, Minn. — Knox Lumber Co. and the union representing its hourly workers in the Twin Cities area agreed to a new contract on June 26, according to Knox company president Richard Miller.

The Cabinet Makers and Millmen's Union Local 1865 in the Minneapolis-St. Paul area accepted Knox Lumber's offer to continue most of the provisions of their labor contract prior to the new ownership, which took possession of the 10-unit retail operation last April 23.

Miller said that changes were made to the union workers retirement and medical benefits package.

HQ signs deal to open 4th unit

VIRGINIA BEACH, Va. — Home Quarters Warehouse, W.R. Grace subsidiary, signed a deal last month for its fourth unit, an 85,000-sq.-ft. former Woolco outlet on the southeast side of Columbia, S.C.

HQ already operates a warehouse home center on the northwest side of the city. Like the current unit, the new store will have the full array of home center merchandise, including commodities. Earlier this year, HQ opened a 32,000-sq.-ft. experimental unit without commodities in the town of Tallahassee, Fla. (*NHCN*, April 21).

Frank Doczi, HQ president, said that the Tallahassee store's results had exceeded expectations, but that the city of Columbia was large enough to handle a full line warehouse stores.

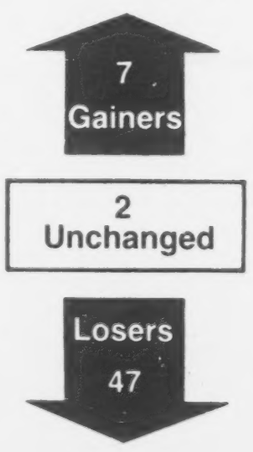
Few escape stock price plunge

NEW YORK — Few public companies in the home center industry escaped the dramatic plunge in stock market prices in early July. For the two-week period ended July 11, 47 home center issues declined, seven gained and two were unchanged.

The only retail stocks tracked in the 56-firm *NHCN* Home Center Market Summary that gained ground were National Hardgoods, up 15.5%; Hechinger A, up 4.5% and Hechinger B, up 4.4%; and Forest City Enterprises, up 0.8%.

Losers were led by Homecrafters Warehouse, down 20%; Wolohan Lumber, down 16.9%; Pay 'N Pak, down 15%, and Home Depot, down 12.3%.

See financial tables, page 76.



If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.).

Belt tightening activities continue as Great Plains closes more units

By Laura Liebeck
NHCN staff editor

ST. PAUL, Minn. — Great Plains Supply Co. is continuing its belt-tightening activities, 18 months after it cut the size of the company in half.

The St. Paul-based farm and home supply company that closed 41 units in January 1985, announced it is closing three more lumberyards, one of which will mean a complete withdrawal from a state, and the combination of four small markets into two trading areas.

Those closings will bring the store count down to 34. More closings are expected, said Karl Butzer, group vp.

"With the farm economy the way it is and the markets these units serve, a turnaround situation would be very long in coming," asserted Jeff Lehmann, gm, adding that the closed yards are in very small areas, one as small as 250 people.

Great Plains lumberyards located in Hebron, N.D.; Flandreau, S.D., and Ivanhoe, Minn., will close within the next 60 days.

These closings follow the June 1 merger of its lumberyard in Homer, Neb., with the company's newest venture, The Surplus Outlet—created to liquidate merchandise from its closed yards—located eight miles away in Sioux City, Iowa. Although the Homer yard remains open, Great Plains is centering the operation out of the Sioux City location, where both personnel, inventory and administrative functions are handled.

Great Plains also merged its lumberyard in New Hampton, Iowa, on May 1 with its Charles City, Iowa, unit, located 24 miles away. The base of operation for the two yards is the Charles City location.

Both Lehmann and Butzer explained that the units were merged to save on operating costs and to allow Great Plains to remain servicing these communities.

Two firms purchase Color Tile stock in possible takeover move

By an NHCN staff editor

FORT WORTH, Tex. — A new player has taken a large stake in Color Tile, the $390 million specialty store chain that has long been considered a takeover candidate.

Briarcliff Holdings, an oil and gas company based in Dallas, said it had purchased 624,000 shares, or 6.6%, of Color Tile stock. The company said 464,000 of the shares had been purchased from Riverway Securities, a Houston investment firm that had owned 14.9% of Color Tile stock.

Riverway now owns 878,000 shares, or 9.3% of Color Tile or Tile.

Further, Briarcliff and Riverway have signed a buy-sell agreement that calls for each party to offer its Color Tilestake to the other, before sell ing the shares elsewhere. In its filing, Briarcliff said that it had undertaken "discussions with others about the feasibility of financing a possible acquisition of control of the issuer," and that it "may continue to have such discussions in the future."

Payless announces corporate changes

By an NHCN staff editor

KANSAS CITY — Mike Largent, director of store programs for Payless Cashways, Inc., was promoted June 20 to vp of the Midwest region.

Largent replaces Bruce Hokanson, a 15-year Payless Cashways employee and nephew of J. Stanley Covey, former Payless chairman. Payless Cashways also announced that Nevada and Colorado have been added to the Midwest region.

In addition, the company has begun a three-month evaluation study in southwestern Missouri for a new 480,000-sq.-ft. distribution center.

The chain narrowed its 31 site search in July to a 65-acre location in Sedalia, Mo. The proposed ninth distribution center would have 10 acres under roof, serving stores from the Ohio Valley to the Rocky Mountains and from Iowa to Texas.

Largent, 35, joined the company in December, 1984 as the Dallas district manager. He was named director of store programs in 1985. Before joining Payless Cashways, Largent was with Wickes Lumber and then Bowater Home Centers until the company was acquired by The Home Depot.

Largent reports to Stan Boyd, 34, who was promoted in February to a new Payless Cashways post, senior vp of stores. The regional vice presidents in Indianapolis, Kansas City, Sacramento and Dallas all report to Boyd. He is responsible for the management and operations of all retail units except the Somerville Lumber subsidiary in New England.

Mike Largent, director of store programs for Payless Cashways, was promoted to vp of the Midwest region. He replaces Bruce Hokanson.

Boyd, who joined Payless in 1974 as a floor salesman in Tyler, Tex., moved up the ladder to manager of the Tyler store, Texas district manager in 1981 and regional manager of the 22 Colorado and Nevada stores in 1983.

A year later, Boyd was named vice president of the Mountain region in Denver.

A spokesman for the company said Hokanson's plan were "up in the air. We're not sure what he's doing. He was considering another position in the company..." the spokesman said but no new position for Hokanson was identified.

Hokanson, 36, started as a store manager in Iowa, moved up to district manager for five states and was made a regional vice president in 1984.

In an unrelated matter, Payless Cashways will be moving to new and larger offices in Kansas City. Starting in October, the corporate offices will be across the street in Two Pershing Square.

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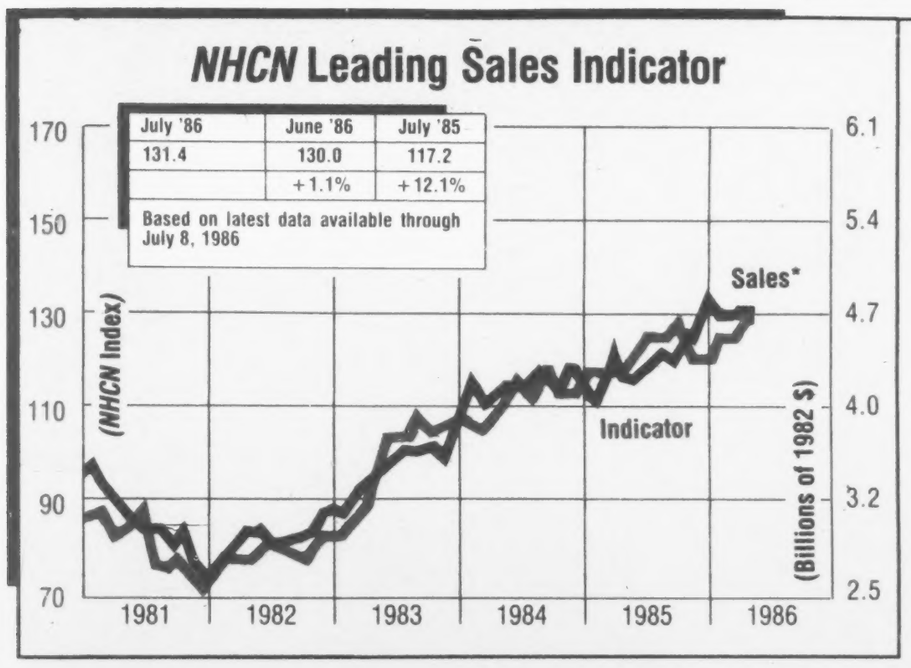
BUSINESS WATCH



*—Monthly retail trade building materials and supplies in 1982 $.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

The NHCN Leading Indicator rose 1.3% in July to 131.4, from the prior month due to the strength in resales in the fourth quarter of last year. Based on the level of activity in starts, resales, income, and interest rates in the first quarter of 1986, the leading indicator should rise an additional 5% through November, to 137.

Building material sales boost due to larger home purchases

By Richard Mount
Special to NHCN

Consumers surging onto the home buying market this year are buying larger single-unit homes than they have in years. And as a result, they are using more building materials in their remodeling and repair work.

Combined with the overall high rate of resales being posted through the first half of 1986, there is continued support for the recent upward revision in forecasted retail building material sales. The forecast, revised in May, calls for sales to increase 15% this year nationally, up from 13% forecasted prior to May, and 11% first forecasted at the beginning of the year.

Richard E. Mount

Sales are expected to increase 8% in 1987, over the revised 1986 sales base.

Bigger homes

One factor playing a bigger role this year in expected sales gains is the larger size of homes consumers are purchasing.

The average size of single-unit new homes will near 1,790 sq. ft. this year, up from 1,785 in 1985 and 1,710 in 1982. This exceeds the prior peak of 1,760 sq. ft. in 1979.

Buyers have demonstrated a desire for larger homes during the current recovery as lower interest rates made housing more affordable. Consumers' income rose after the rapid snap back in the early stages of the current business expansion, the sharpest in the post-war period. That rise in income pushed the economy above its long-term trend.

However, that trend oc-

(Continued on page 13)

Home Center Industry—General Business Outlook

		1985 QII	1985 QIII	1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**116.0**	**121.0**	**123.4**	**124.7**	**127.9**	**132.2**	**136.7**	**138.8**	**118.5**	**129.1**	**139.3**
General Economic Outlook												
	GNP $1982 Billion	**3,557.4**	**3,584.1**	**3,590.8**	**3,616.9**	**3,634.1**	**3,660.9**	**3,692.2**	**3,716.2**	**3,570.0**	**3,664.5**	**3,779.3**
	Real Disposable Income $1982 Bil.	2,532.2	2,503.1	2,517.1	2,550.9	2,587.1	2,598.8	2,613.4	2,613.7	2,508.8	2,836.4	2,637.8
	Housing Permits (000 SAAR)	1,731	1,762	1,741	1,834	1,790	1,785	1,730	1,685	1,739	1,767	1,724
	Housing Starts (000 SAAR)	1,743	1,688	1,773	1,988	1,950	1,880	1,820	1,775	1,742	1,917	1,764
	New Home Sales (000 SAAR)	681	711	696	789	775	800	775	750	686	785	735
	Resales (000 SAAR)	3,043	3,360	3,500	3,257	3,550	3,600	3,570	3,450	3,216	3,494	3,438
	Prime Rate %	10.2	9.5	9.5	9.4	8.6	8.0	8.0	8.0	9.9	8.5	8.5
	Mortgage Rate % (HUD)	12.9	12.1	11.8	10.8	10.3	10.0	10.0	9.8	12.5	9.9	10.4
	Consumer Price Index (1967 = 100)	321.1	323.0	326.5	327.7	325.9	328.5	331.0	333.8	322.1	328.9	340.2
	Producer Price index (1967 = 100)	293.8	293.1	296.4	292.1	288.6	288.5	289.5	292.2	293.9	289.5	299.1
	New Housing Affordablility 1980 = 100	112.6	119.3	119.3	127.4	125.9	127.7	126.7	127.5	116.2	131.2	122.5
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**70,400**	**77,500**	**73,885**	**75,928**	**78,356**	**81,269**	**83,516**	**85,075**	**76,671**	**79,767**	**85,594**
	Maintenance and Repair	32,400	32,700	32,378	33,572	34,610	35,666	36,740	37,469	33,695	35,147	37,965
	Additions and Alterations	25,600	29,500	27,556	27,745	28,637	29,633	30,288	30,591	28,089	29,076	30,635
	Major Replacements	12,400	14,300	13,950	14,612	15,109	15,970	16,488	17,015	14,638	15,545	16,993
Constant	**Total Millions $1977 SAAR**	**40,975**	**44,866**	**42,900**	**43,650**	**44,600**	**45,800**	**46,600**	**47,000**	**44,620**	**45,163**	**46,588**
	Maintenance and Repair	18,858	19,179	18,800	19,300	19,700	20,100	20,500	20,700	19,672	19,900	20,663
	Additions and Alterations	14,900	17,300	16,000	15,950	16,300	16,700	16,900	16,900	16,400	16,463	16,675
	Major Replacements	7,217	8,387	8,100	8,400	8,600	9,000	9,200	9,400	8,548	8,800	9,250
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,369,400**	**1,399,296**	**1,388,316**	**1,404,932**	**1,427,173**	**1,470,054**	**1,502,536**	**1,525,418**	**1,373,941**	**1,450,655**	**1,561,366**
	Total Minus Automobile	1,055,360	1,066,248	1,082,244	1,095,360	1,106,216	1,132,553	1,160,409	1,179,804	1,061,148	1,123,310	1,210,140
	Building Material, Hardware, Garden Supply, Mobile Home	73,280	74,328	78,024	83,904	83,297	84,349	85,637	88,274	74,062	84,255	90,179
	Building Material and Supply	53,512	53,736	56,976	61,180	61,005	62,165	63,008	65,050	53,841	61,781	66,655
	Hardware	10,912	11,116	11,572	11,416	12,125	12,301	12,480	12,817	11,092	12,084	13,097
Constant	**Total Millions $1982 SAAR**	**1,279,412**	**1,307,324**	**1,286,256**	**1,303,725**	**1,310,000**	**1,336,000**	**1,352,000**	**1,359,000**	**1,282,071**	**1,324,639**	**1,370,250**
	Total Minus Automobile	993,124	1,003,052	1,007,676	1,024,780	1,024,000	1,038,000	1,053,000	1,060,000	996,515	1,034,470	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	69,827	70,833	73,628	78,692	76,600	76,800	77,200	78,790	70,244	77,094	79,290
	Building Material and Supply	50,990	51,209	53,765	57,369	56,100	56,600	56,800	58,060	51,055	56,526	58,605
	Hardware	10,398	10,593	10,922	10,707	11,150	11,200	11,250	11,440	10,512	11,054	11,515
	Building Materials % of Total Less Automobile ($Current)	5.07	5.04	5.26	5.57	5.51	5.49	5.43	5.51	5.07	5.50	5.51

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
July 8, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Building material sales up due to surge in home buying

(Continued from page 12)
curred as the leading edge of the baby boom reached 40 and their larger and older families and higher incomes called for additional living space. The Northeast was the strongest region for growth in this recovery and homes are larger than the national average.

Consumers change

The reasons for the increase in average home size in the 1980's differ from the late-1970's.

Today, the two major factors driving home buying are needs and affordabilty. Consumers are selecting homes based on family size, age and income. And they expect to stay there for years before another move. More established careers and the increase in dual-income families make relocations more difficult.

In the late 1970's, in contrast, housing was often sought as an inflation hedge, and many units were bought as short-term investments rather than long-term homes. For many buyers, the real estate cycle was buy, appreciate, and then trade up within two years or less. Major improvements to homes, to enhance life styles, were deemed uneconomical.

The outlook for the balance of this year, however, suggests that home size will increase. Mortgage rates dropped sharply in the first quarter, down 100 basis points from the fourth quarter of last year and 220 basis points from a year ago. Mortgage rates moved up in the late spring but are beginning to turn around. Rates will decline to single-digit levels in the third quarter of this year and continue to soften into the first half of 1987. Regionally, the Northeast will stay strong, keeping the national average of home size up.

Surge in demand

However, the surge in demand has already begun to push home prices upward. Homes in the Northeast, in particular, have surged to expensive levels.

Consumer demand is thus expected to shift to lower priced units. The drop in mortgage rates is almost over and larger homes will not sell as well.

As a result, for 1987, average home sizes will decline about 10 sq. ft.

Better sales

For building material sales, the increase in average square footage of new housing is a plus for dealers this year, and for the future.

Constructing larger homes than last year will increase building material demand. Homes that are started now will remain under construction into 1987, keeping demand for materials high.

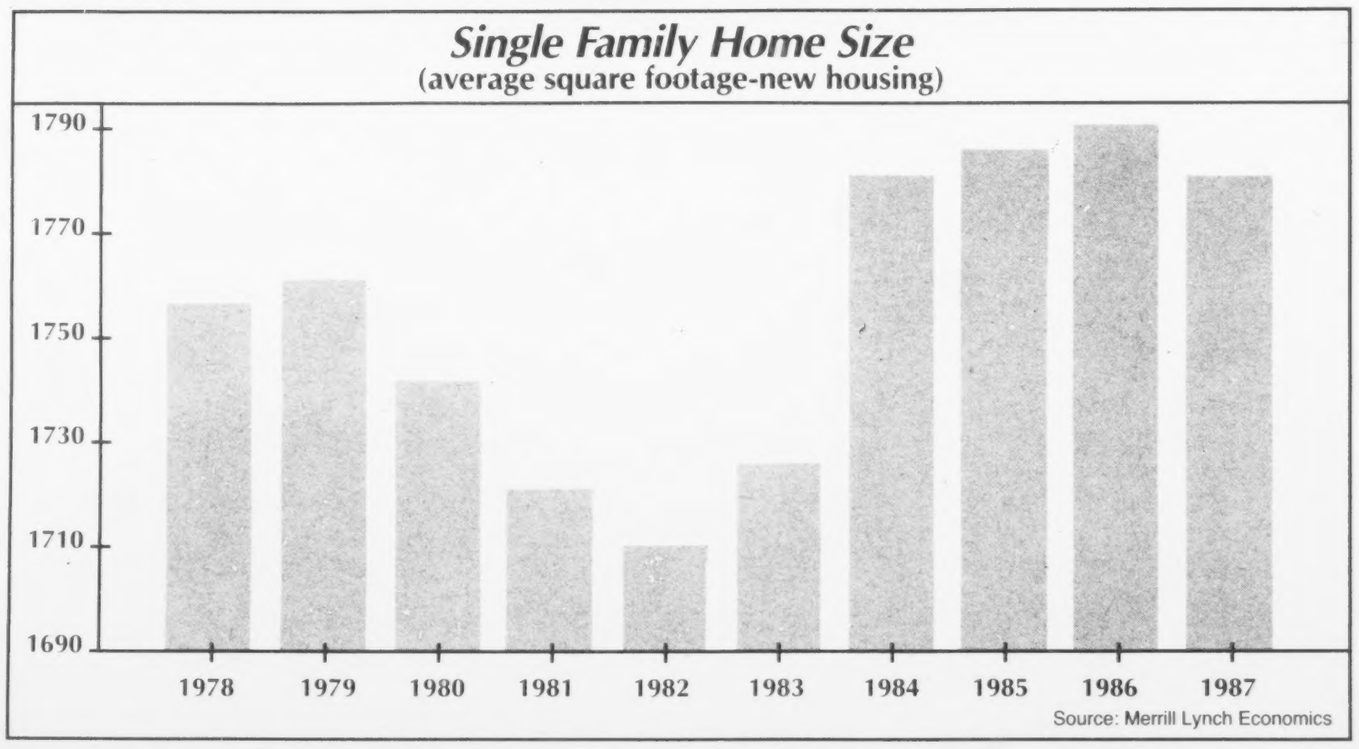
The reasons for larger homes today—family needs and income—and less willingness to move suggest that consumers, in many parts of the country, will want higher quality products and service for building materials in the future.

Richard E. Mount is senior economist and manager of housing construction material research at Merrill Lynch Economics.

Average Family Home Size By Region (Average Sq. Ft.)

	1979	1982	1985
United States	1,760	1,710	1,785
Northeast	1,795	1,755	1,830
Midwest	1,720	1,655	1,820
South	1,795	1,700	1,765
West	1,730	1,740	1,770

Source: Merrill Lynch Economics



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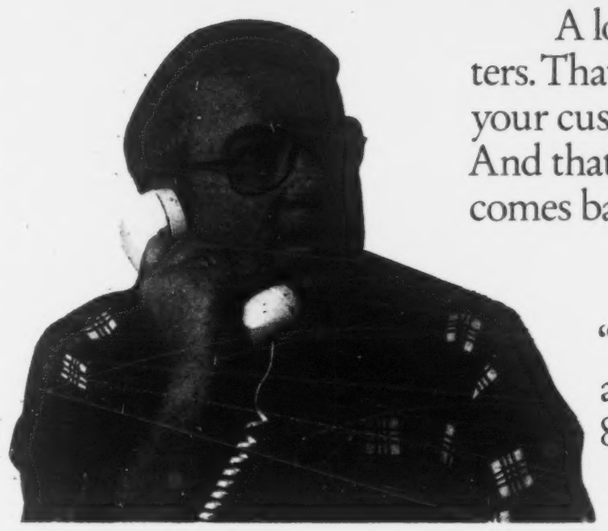

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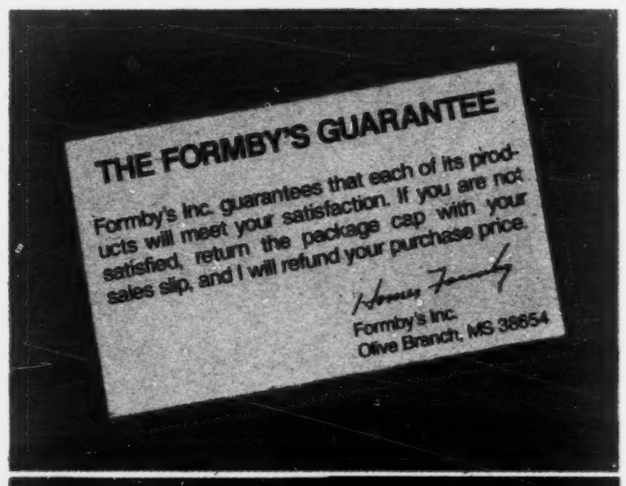
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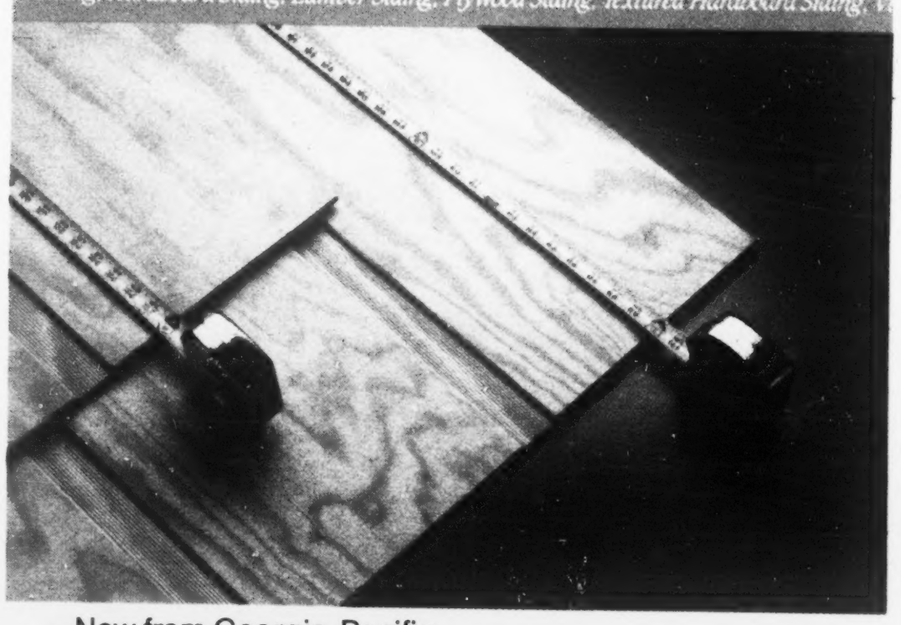

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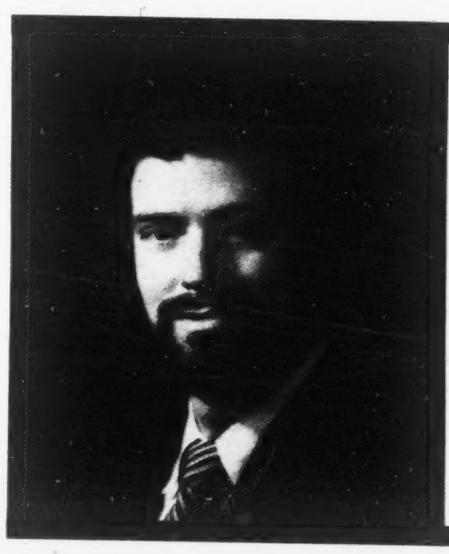
LUMBER REPORT

Shakeout coming for lumber and panel board manufacturers

By Hawk Furman
Special to NHCN



"Overproduction, like a flood, brings disaster, and until the water recedes or production is cut, there will be little comfort."
—Hawk Furman

It happened in farming and it is going to happen in forest products: The overproduction of lumber and panel board is going to force many manufacturers out of business.

The paradox is that the manufacturers see increased production as their answer for survival. Owners are convinced that if they can increase production through state of the art technology, or by adding a second shift while at the same time cutting costs, that they can lower unit costs which will make them more competitive and give them the edge over their competitors so they can survive.

What many mill owners will fail to see is that most operators are following the same strategy and that they are all on the same treadmill together. And the faster they pump production, the worse the plight of the industry becomes.

Overproduction, like a flood, brings disaster and until the water recedes or production is cut, there will be little comfort.

Production up

Certainly, production figures suggest that output shows no signs of retreating.

Lumber production figures for the first quarter of 1986 show the U.S. West Coast production up 11.4% from 1985. Inland production is up 13.8% while southern yellow pine production was up 2.9% Total Canadian production is up 6.9% while British Columbian production is up 9.7%.

Canadian and U.S. lumber mills are estimated to have 60 billion board feet of softwood lumber production capacity. The highest current estimate of demand for North American softwood in 1986 is 56.6 billion board feet. The consumption in 1985 was 52.9 billion board feet according to *Hay-Roe's Paper Tree Letter.*

Technology boosting output

Meanwhile, mills are utilizing the latest technological advances such as computerized log sorters, scanners, trim saws, resaws and lumber sorters. Production increases due to these changes range from 7% to 40%.

Panel board production is exploding. The plywood producers in the Pacific Northwest are producing more plywood with fewer mills. According to the American Plywood Association, the average production capacity of plywood plants in the Pacific Northwest rose 34% between 1980 and 1985. New waferboard and oriented strand board (OSB) mills are coming on so fast that it is hard to keep track.

More facilities coming

In the past few months Louisiana Pacific has opened a mill at Dun Cannon, Va. while Georgia Pacific opened a mill at Skippers, Va. A 300-million-sq.-ft. OSB facility is being opened shortly by Weyerhaeuser in Elkins, N.C. New production facilities are reportedly coming on stream next year, including two Louisiana Pacific plants, one in British Columbia and the other in Michigan; an International Paper facility in Texas; a Georgia Pacific plant in Glades Spring, Ga., and Northwood is reopening its plant in Chatham, New Brunswick.

Without these new plants, there is currently overproduction which has resulted in the current delivered price of 7/16-in. waferboard at $145 per 1,000 sq. ft. to the retailer in the Northeast, down from $170 a year earlier.

The introduction of isocyanate as a resin in the making of waferboard and OSB has helped the mills pioneering the resin to increase production by as much as 30%. The new resin sets up faster and allows for shorter press time which permits more board to be pressed in less time than currently can be achieved with the more conventional phenolic resins.

Over time most of the mills will convert to the new resin, and it does not take much imagination to what this technological change by itself will do to increase current production capacity of waferboard mills.

World market outlook

If there is a bright spot to the threat of excess capacity and overproduction, it is the improvement in overseas markets as an outlet for forest products.

The export market is better for North America because of the weakening of the dollar. However, there is pressure on North American wood from countries that are increasing their forest production.

Japan, Chile, New Zealand, Russia and even the Scandinavian countries are producing more wood. In Scotland they are harvesting Scottish Pine from the forests which were planted after World War II and they are converting the fiber into waferboard at the Highland Forest Products Mill. Russia has cut prices from 15% to 25% on red pine to Japan in the third quarter. Currently there is 2.5 months of consumption of Russian wood sitting on Japanese docks.

Long term view

Even with the production curtailments caused by the current lumber strikes in the Pacific Northwest, there is too much wood for demand. The strikes should be resolved by fall and the struggle for survival among lumber and panel board producers in North America will continue.

The survivors will be those with deep pockets that keep up with the latest in sawmill technology and take marketing seriously. The profitable producer will be researching the marketplace and developing specialty products that are a result of adding value to basic commodities.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended July 2

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
July '86	$168.20	$160.50	$166.00	$166.50	938	$190.90	$144.00
Sept.	$165.00	$155.20	$162.30	$163.00	2,796	$182.40	$145.50
Nov.	$163.20	$154.70	$159.00	$162.00	1,373	$174.50	$146.00
Jan. '87	$166.70	$159.20	$162.60	$165.90	345	$175.00	$150.00
March	$168.00	$161.90	$165.00	$167.30	182	$175.50	$153.00
May	$168.10	$163.50	$166.50	$168.50	51	$174.50	$160.00
July	$168.00	$165.00	$168.00	$169.50	14	$175.50	$162.00

Total Contract Vol. (Through 7/2): 19,597 **Previous Two Weeks: 20,765**
Total Open Interest (As of 7/2): 5,699 **Previous Week: 5,861**
Cash Price: $169.54 **Previous Week: $172.48** **Year Ago: $154.84**

CME—Chicago Mercantile Exchange
*Figures for 7/2
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Perspectives

merchandising

Outdoor equipment suppliers predict steady growth

By an NHCN staff editor

NATIONAL REPORT — With the exception of walk-behind tillers, unit shipments of most types of major outdoor power equipment are expected to show steady growth through 1987, according to a new report released by the Washington-based Outdoor Power Equipment Institute (OPEI).

Shipments of walk-behind rotary mowers are projected to increase 2.4% this year to 5.319 million units, according to members of the institute which includes outdoor power equipment manufacturers and associate original equipment makers. The institute forecasts a 1.4% increase to 5.395 million units in 1987.

Members of the institute predicted that rear engine riding mowers will see a 4.8% increase in 1986 to 372,000 units, followed by a 3.8% rise in 1987 to 386,000 units. If 1986 projections are met, according to the report, the rear engine rider will be the pace setter for all riding units with a 42.5% growth rate since 1981.

Lawn and garden tractors are expected to show a 1.6% increase to 557,000 shipments this year, followed by a 4.1% hike to 580,000 shipments.

Garden tractors have moved unevenly since 1981, said the report, showing a modest 6.8% gain since that year. Shipments are expected to decline 3.4% to 142,000 units this year before rebounding to 149,000 units, a 4.9% gain, in 1987.

Unit shipments of most types of outdoor power equipment are expected to show steady growth through 1987.

Institute members see walk-behind snow thrower shipments rising 14.5% to 482,000 units this year, and about 5% higher in 1987 to 506,000 units.

Walk-behind tillers will continue a decline that started in 1982, dropping 5.8% this year to 341,000 units, and another 6.2% to 320,000 units in 1987. The decline in tiller sales is attributed to changing demographics, lifestyles and housing preferences among American homeowners.

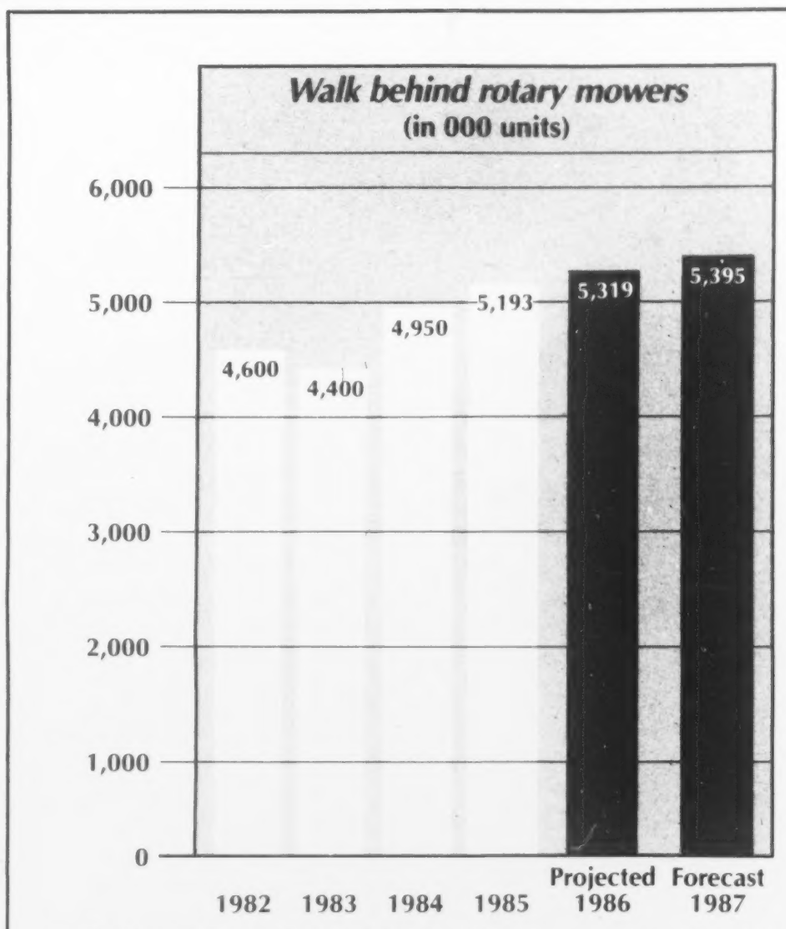
The report, which was compiled for the OPEI by Gilson, a Plymouth, Wis., power equipment maker, also examined trends in distribution of outdoor power products.

On average, OPEI members predict that independent dealers will gain only 0.6 of a percentage point this year to represent 20.7% of total industry shipments. Those dealers are expected to remain at that level in 1987, with just a 0.1% gain to 20.8% of the total distribution.

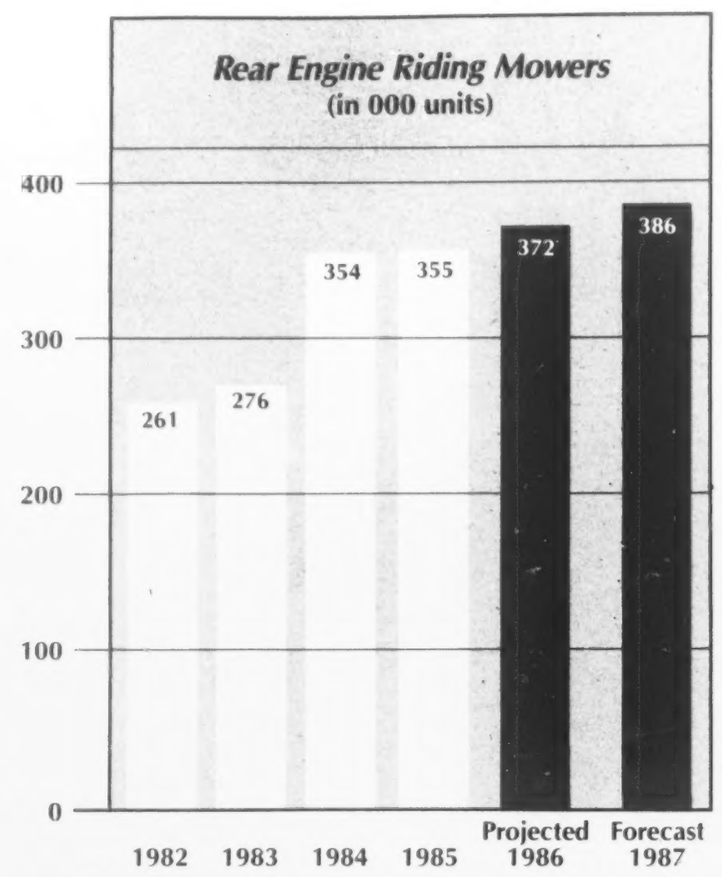
The group's members forecast a continuing loss of market share into 1987 by wholesale distributors, who will represent 26.1% of total shipments this year and 25.3% next year. In 1982, distributors handled 37.9% of total shipment.

Export shipments, while subject to wide-ranging external economic and monetary forces, are expected to increase to 2.0% of the total market this year and 2.5% in 1987.

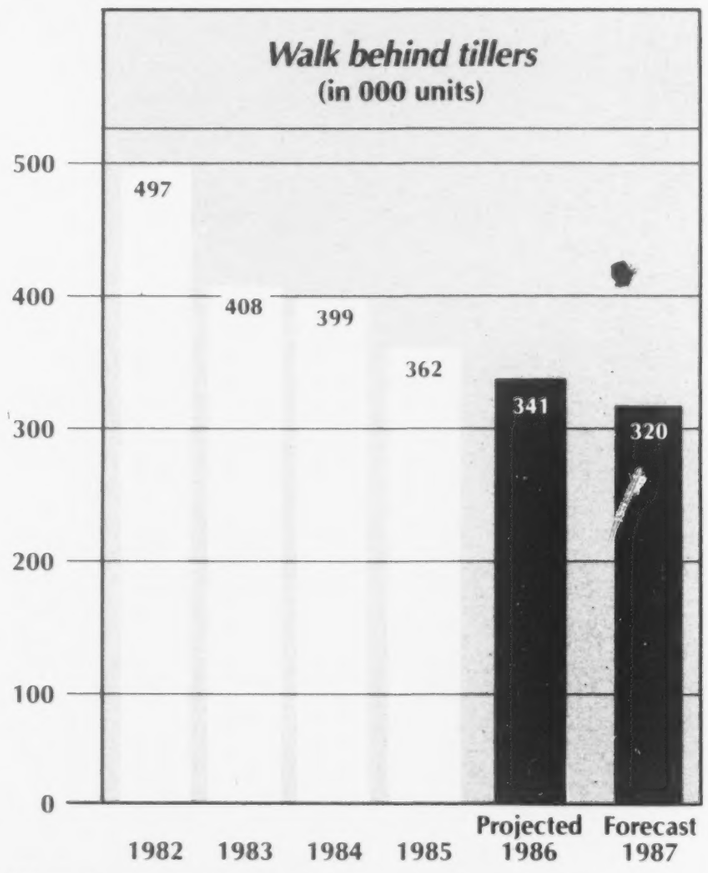
Mass merchandisers will continue to take a larger share of the total outdoor power equipment market. From an average of 40.6% of total shipments in 1982, merchandisers share of the total market rose to 50.9% of shipments in 1985, a projected 51.2% in 1986.



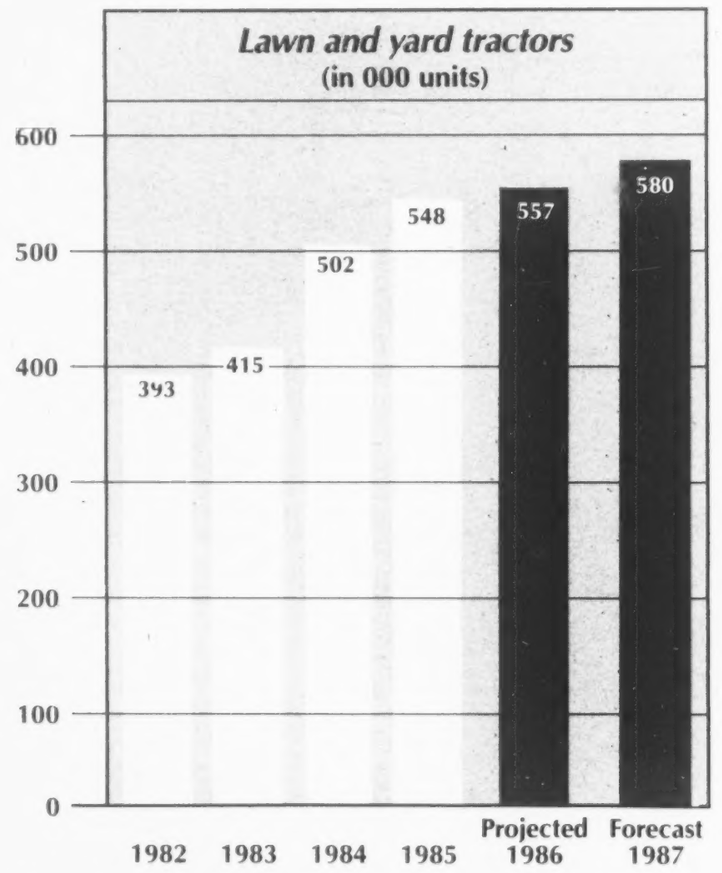
Sales of walk-behind rotary mowers have bounced back from a low of 4.4 million units in 1983, a year after new Federal safety guidelines resulted in price hikes at retail. Continued growth is expected through 1987 when outdoor power equipment manufacturers forecast nearly 5.4 million units will be sold.



Industry shipments of rear engine riding mowers shot up from 276,000 units in 1983 to 354,000 units in 1984. After remaining at that level last year, manufacturers predict a slight rise this year to 372,000 units and next year to 386,000 units.



Walk behind tillers, which peaked in 1982 when growing your own garden was a craze, have been declining since. Manufacturers forecast shipments to drop to 341,000 this year and 320,000 in 1987.



Lawn and garden tractor shipments have risen at nearly the same rate as riding mowers. Industry shipments hit 548,000 in 1985, and are expected to grow to 557,000 this year and 580,000 by 1987.

Source: 1987 Outdoor Power Equipment Industry Outlook

Mfgs., retailers report lower costs at Expo

(Continued from page 46)

ideas," Yahn said. "You don't have to worry about equipment disappearing and it generates new ideas for buyers."

Yahn added that this year's Expo will include the best representation of the lawn and garden category which will represent 35% to 40% of the exhibitors.

"We're getting to the day when the entire outdoor category will be at the same show," Yahn said.

Moreover, both manufacturers and retailers report that there is an extreme difference in hotel costs, booth rental and per diem expenses between Chicago and Louisville.

"We can almost guarantee that coming to Louisville is 50% less expensive than coming to Chicago," Yahn said.

Case Moolbroek, of MTD Corp., a Strongsville, Ohio-based manufacturer of lawn mowers and outdoor power equipment, said his company gave up on the hardware show three years ago when the lawn and garden exposition was begun.

"At the Lawn and Garden show there is ample indoor and outdoor demonstration space available to run the equipment," said Moolbroek. "To run the equipment adds a great deal in showing what the equipment will do.

"We haven't been at the Hardware Show in three years. It just doesn't provide the facilities. The Kentucky show is unlimited."

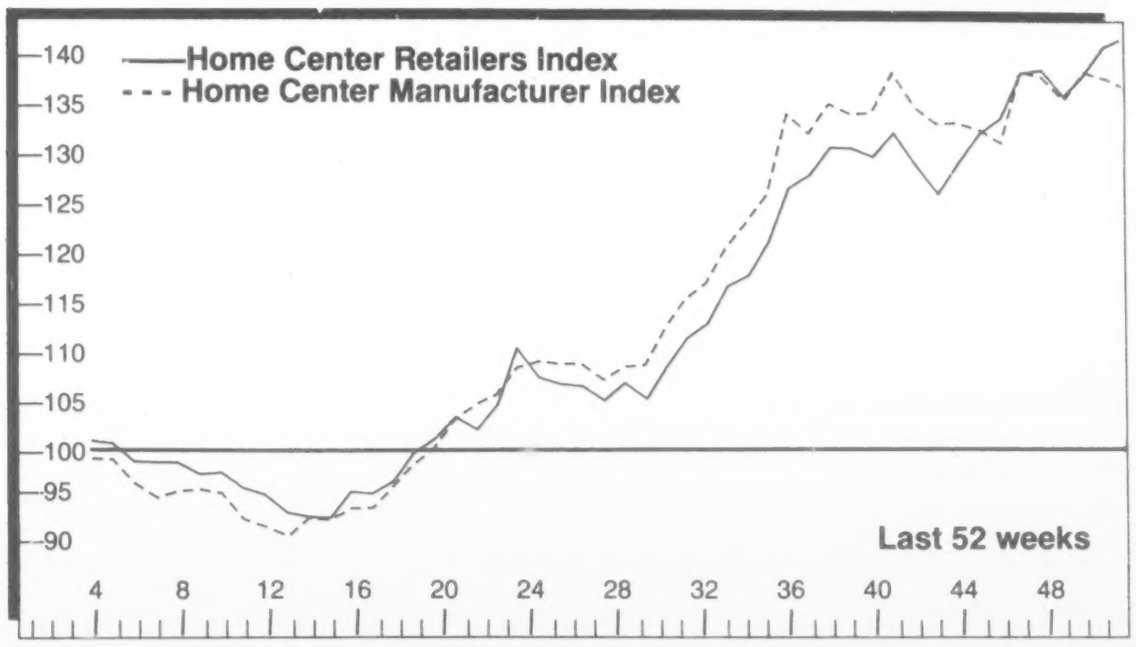
Other major outdoor power equipment manufacturers have other complaints about the Chicago show.

Jerry Kimmel, a manager of consumer sales for Toro, said his company has become loyal to the Kentucky show because the retailers who attend represent companies whose customers are prone to buy Toro equipment.

In addition, Kimmel noted that with Toro's demonstration and display space amounting to 14,000 sq. ft. at the Louisville show, home center buyers are better served by viewing a full range of the manufacturer's products.

"The hardware show has a connotation of being mass merchandise oriented," Kimmel said, "and that is something which Toro has moved away from in recent years."

FINANCIAL NEWS

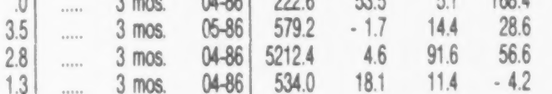


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
5-27-86	(100)	%	%
Sherwin-Wms N	31,235	451.2	- 1.4
Lewis Palmer M	1,596	254.8	- 12.0
Color Tile M	8,074	210.9	- 7.1
Natl Hardgoods M	475	190.2	15.5
Newell Co N	3,198	179.1	- 6.5
Stanley Works N	5,759	158.8	- 3.4
Handyman A	418	141.8	- 3.2
Weyerhaeuser N	29,401	137.9	- 2.2
Wickes Cos A	124,784	131.8	- 2.1
Supermkts Gen N	5,109	126.3	- 3.6

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 7-11-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Natl Hardgoods M	10.25	15.5	475
Owens Corning N	51.13	9.4	9,963
Hechinger A M	23.25	4.5	4,555
Hechinger B M	23.50	4.4	789
Allegheny Int N	20.00	1.3	4,965
Macmillan Bloedel M	26.50	1.0	732
Forest City Ent A	30.63	.8	34
Manville Cp N	2.75	.0	7,387
Mor-Flo Inds M	16.00	.0	154
Emhart Corp N	35.50	- .4	2,755
Losers	**$**	**%**	**(100)**
Homecrafters Whse M	.50	- 20.0	112
Wolohan Lumber M	8.63	- 16.9	1,425
Pay N Pak N	15.63	- 15.0	4,318
Home Depot N	18.75	- 12.3	8,470
Lewis Palmer M	8.25	- 12.0	1,596
Black & Decker N	18.25	- 11.5	28,200
Lowe's Cos N	31.88	- 11.5	12,598
Armstrng Wrld N	57.25	- 10.7	6,421
Payless Cash N	23.25	- 10.6	16,374
Masco Corp N	29.88	- 10.2	22,930

National Home Center News®

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 7-11-86 $	2-Weeks Change Amt. $	2-Weeks Change Pct. %	2-Week Range High $	2-Week Range Low $	52-Week Range High $	52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	2-Weeks Shares Traded % Out %	12-Week Avg. Vol. As % Out %	Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report: New Report -	Period -	Date Ended -	Latest Quarter: Revenue Amt. $Mil	Revenue Chg. %	Net Income Amt. $Mil	Net Income Chg. %	E.P.S. Amt. $	E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Revenue Chg. %	Net Income Amt. $Mil	Net Income Chg. %	E.P.S. Amt. $	E.P.S. Chg. %
Retailers																													
Color Tile M	22.88	- 1.75	- 7.1	24.25	22.88	24.63	16.88	8,074	8.55	2.75	210.9	15.3	.00	.0	.....	9 mos.	03-86	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber M	70.75	- 2.25	- 3.1	74.25	70.00	77.00	20.75	86	1.03	1.09	- 5.5	10.3	.00	.0	.....	3 mos.	03-86	35.1	33.5	(.3)	NE	(.38)	NE	35.1	33.5	(.3)	NE	(.38)	NE
Forest City Ent A	30.63	.25	.8	30.63	30.13	31.25	22.00	34	.04	.13	- 69.2	42.0	.30	1.0	.....	3 mos.	04-86	88.0	19.4	.2	.0	.03	50.0	88.0	19.4	.2	.0	.03	50.0
Grace W R N	52.50	- 1.75	- 3.2	55.00	51.88	60.75	35.50	13,209	2.43	2.52	- 3.6	26.0	2.80	5.3	.....	3 mos.	03-86	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0
Handyman A	30.50	- 1.00	- 3.2	31.75	30.00	36.00	21.75	418	1.62	.67	141.8	12.4	.20	.7	.....	3 mos.	03-86	62.6	.8	(.2)	- 100.0	(.06)	- 100.0	62.6	.8	(.2)	- 100.0	(.06)	- 100.0
Hechinger A M	23.25	1.00	4.5	23.75	22.00	23.59	12.81	4,555	4.17	2.86	45.8	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	23.50	1.00	4.4	23.75	22.00	23.59	12.81	789	.26	.18	44.4	29.4	.06	.3	.....	3 mos.	04-86	136.9	19.5	4.9	28.9	.16	14.3	136.9	19.5	4.9	28.9	.16	14.3
Homecrafters Whse M	.50	- .13	- 20.0	0.75	0.50	7.75	.50	112	.40	1.48	- 73.0	NE	.00	.0	.....	fiscal	01-86	41.4	17.6	(10.1)	NE	(3.62)	NE	184.4	17.9	(23.6)	NE	(8.42)	NE
Home Depot N	18.75	- 2.63	- 12.3	21.75	18.38	21.75	10.50	8,470	3.37	2.61	29.1	41.7	.00	.0	.....	3 mos.	04-86	222.6	53.5	5.1	168.4	.20	150.0	222.6	53.5	5.1	168.4	.20	150.0
INTERCO Inc N	88.75	- 5.25	- 5.6	95.25	87.25	95.25	62.75	3,390	2.37	1.18	100.8	14.7	3.08	3.5	.....	3 mos.	05-86	579.2	- 1.7	14.4	28.6	.91	28.2	579.2	- 1.7	14.4	28.6	.91	28.2
K mart Cp N	53.50	- 2.88	- 5.1	57.38	50.63	57.38	30.63	74,530	5.92	3.02	96.0	27.2	1.48	2.8	.....	3 mos.	04-86	5212.4	4.6	91.6	56.6	.70	52.2	5212.4	4.6	91.6	56.6	.70	52.2
Lowe's Cos N	31.88	- 4.13	- 11.5	36.25	31.88	41.50	20.75	12,598	3.22	1.51	113.2	19.7	.40	1.3	.....	3 mos.	04-86	534.0	18.1	11.4	- 4.2	.31	- 6.1	534.0	18.1	11.4	- 4.2	.31	- 6.1
Mich General A	3.25	- .25	- 7.1	3.88	3.25	6.13	3.25	1,875	1.65	1.29	27.9	NE	.00	.0	.....	3 mos.	03-86	91.2	3.5	(5.9)	NE	(.53)	NE	91.2	3.5	(5.9)	NE	(.53)	NE
Natl Hardgoods M	10.25	1.38	15.5	10.25	9.25	10.25	5.50	475	3.86	1.33	190.2	24.4	.00	.0	.....	3 mos.	04-86	6.5	- 3.0	.0	- 100.0	.03	200.0	6.5	- 3.0	.0	- 100.0	.03	200.0
Natl Lumber M	6.25	- .25	- 3.8	7.00	6.25	7.25	4.00	454	.81	1.06	- 23.6	NE	.00	.0	.....	*	04-86	NC	NC	NC	NC	NC	NC	32.6	NC	(.6)	NC	(.10)	NC
Pay N Pak N	15.63	- 2.75	- 15.0	18.25	15.00	19.38	11.63	4,318	4.32	2.89	49.5	18.6	.64	4.1	.....	3 mos.	05-86	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash N	23.25	- 2.75	- 10.6	26.38	22.75	27.50	13.50	16,374	4.73	2.22	113.1	19.4	.16	.7	.....	6 mos.	05-86	428.8	14.1	15.6	20.0	.45	15.4	703.3	11.5	18.0	23.3	.52	18.2
Scotty's Inc N	15.63	- 1.63	- 9.4	17.25	14.50	18.13	12.38	1,217	.84	.58	44.8	14.7	.52	3.3	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck N	43.63	- 4.88	- 10.1	49.25	43.38	50.38	31.75	91,004	2.50	1.24	101.6	12.6	1.76	4.0	.....	3 mos.	03-86	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise M	11.13	- 1.25	- 10.1	12.63	11.00	16.13	10.88	21,388	6.42	4.82	33.2	NE	.08	.7	.....	3 mos.	03-86	457.1	31.7	(29.2)	NE	(.88)	NE	457.1	31.7	(29.2)	NE	(.88)	NE
Std Brd Pnt N	22.00	- 1.00	- 4.3	23.50	21.75	25.63	18.75	3,257	16.10	10.45	54.1	17.5	.58	2.6	.....	3 mos.	04-86	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen N	59.75	- 2.25	- 3.6	63.13	58.00	63.88	39.88	5,109	2.67	1.18	126.3	16.7	.56	.9	.....	3 mos.	04-86	1337.3	10.0	12.3	4.2	.67	1.5	1337.3	10.0	12.3	4.2	.67	1.5
Wickes Cos A	5.75	- .13	- 2.1	6.13	5.00	7.00	3.88	124,784	9.04	3.90	131.8	30.3	.00	.0	.....	3 mos.	04-86	995.1	40.9	15.7	NE	.02	NE	995.1	40.9	15.7	NE	.02	NE
Wolohan Lumber M	8.63	- 1.75	- 16.9	10.38	8.63	10.75	5.25	1,425	2.43	2.38	2.1	13.5	.16	1.9	.....	3 mos.	03-86	28.1	21.6	(.1)	NE	(.02)	NE	28.1	21.6	(.1)	NE	(.02)	NE
Zayre Corp N	39.13	- 2.88	- 6.8	43.88	37.00	43.88	23.88	12,886	2.16	1.47	46.9	24.0	.32	.8	.....	3 mos.	04-86	1044.5	32.2	16.7	9.9	.28	3.7	1044.5	32.2	16.7	9.9	.28	3.7
Wholesalers																													
Lewis Palmer M	8.25	- 1.13	- 12.0	9.50	8.00	9.88	6.38	1,596	4.08	1.15	254.8	33.0	.28b	3.4	.....	3 mos.	04-86	33.8	2.4	.1	NC	.02	NC	33.8	2.4	.1	NC	.02	NC
Manufacturers																													
Allegheny Int N	20.00	.25	1.3	20.75	19.63	28.75	16.50	4,965	4.61	2.63	75.3	NE	.00	.0	.....	3 mos.	03-86	467.2	- 7.3	11.9	133.3	.41	NE	467.2	- 7.3	11.9	133.3	.41	NE
Am Standard N	39.25	- 2.50	- 6.0	42.50	39.25	46.88	27.00	6,946	1.77	1.29	37.2	10.1	1.60	4.1	.....	3 mos.	03-86	715.0	6.8	50.2	147.3	1.30	150.0	715.0	6.8	50.2	147.3	1.30	150.0
Armstrng Wrld N	57.25	- 6.88	- 10.7	64.50	55.25	69.88	31.88	6,421	2.68	1.37	95.6	13.0	1.44	2.5	.....	3 mos.	03-86	430.9	14.4	22.9	27.9	.95	26.7	430.9	14.4	22.9	27.9	.95	26.7
Black & Decker N	18.25	- 2.38	- 11.5	20.63	17.75	25.25	17.25	28,200	4.88	3.26	49.7	37.2	.64	3.5	.....	6 mos.	03-86	415.1	3.0	1.6	- 89.2	.02	- 93.1	936.8	3.4	22.5	- 48.6	.43	- 50.0
Boise Cascade N	56.88	- 1.63	- 2.8	58.50	54.25	59.88	39.63	8,506	3.14	1.39	125.9	18.0	1.90	3.3	.....	3 mos.	03-86	916.6	- 4.3	25.0	- 24.9	.83	- 25.9	916.6	- 4.3	25.0	- 24.9	.83	- 25.9
Certain-teed N	32.50	- 3.38	- 9.4	37.00	32.50	38.50	22.38	2,812	1.48	.78	89.7	11.3	.90	2.8	.....	3 mos.	03-86	255.0	.8	10.5	28.0	.56	36.6	255.0	.8	10.5	28.0	.56	36.6
Champ Intl N	24.00	- .38	- 1.5	25.38	23.50	29.75	20.25	38,980	4.20	1.92	118.8	17.6	.52	2.2	.....	3 mos.	03-86	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5
Clopay Corp A	22.38	- .13	- .6	22.50	22.38	23.00	11.25	8	.05	.92	- 94.6	NE	.16	.7	.....	3 mos.	03-86	32.4	11.0	.4	NE	.25	NE	32.4	11.0	.4	NE	.25	NE
DeSoto Inc N	39.00	- 1.38	- 3.4	40.88	38.75	41.38	31.50	497	1.04	.57	82.5	11.8	1.40	3.6	.....	3 mos.	03-86	96.8	4.1	2.4	200.0	.51	200.0	96.8	4.1	2.4	200.0	.51	200.0
Emhart Corp N	35.50	- .13	- .4	37.88	34.75	42.63	26.38	2,755	.99	1.37	- 27.7	11.9	1.40	3.9	.....	3 mos.	03-86	509.6	21.4	18.0	16.9	.65	16.1	509.6	21.4	18.0	16.9	.65	16.1
Georgia-Pacifc N	31.63	- .25	- .8	32.13	29.50	34.25	20.63	26,507	2.57	1.25	105.6	23.3	.80	2.5	.....	3 mos.	03-86	1604.0	1.5	30.0	- 38.8	.25	- 41.9	1604.0	1.5	30.0	- 38.8	.25	- 41.9
Insilco Corp N	19.63	- 1.88	- 8.7	21.75	18.88	24.50	16.63	3,491	1.77	1.26	40.5	14.2	1.00	5.1	.....	3 mos.	03-86	180.3	- 8.6	6.8	13.3	.34	3.0	180.3	- 8.6	6.8	13.3	.34	3.0
La Pacific N	24.75	- 2.00	- 7.5	26.75	24.13	30.13	17.13	4,409	1.21	1.07	13.1	35.9	.80b	3.2	.....	3 mos.	03-86	322.6	19.0	1.4	- 41.7	.04	- 42.9	322.6	19.0	1.4	- 41.7	.04	- 42.9
Macmillan Bloedel M	26.50	.25	1.0	26.50	24.75	28.63	12.47	732	.24	.16	50.0	NA	.25b	NA	.....	3 mos.	03-86	613.2	13.9	29.2	1023.1	.68	NE	613.2	13.9	29.2	1023.1	.68	NE
Manville Cp N	2.75	.00	.0	3.00	2.75	8.88	2.50	7,387	3.08	6.72	- 54.2	NE	.00	.0	.....	3 mos.	03-86	455.5	5.1	12.0	- 1.6	.24	- 4.0	455.5	5.1	12.0	- 1.6	.24	- 4.0
Masco Corp N	29.88	- 3.38	- 10.2	33.38	29.00	34.50	15.25	22,930	1.78	.83	114.5	22.6	.32	1.1	.....	3 mos.	03-86	308.0	34.5	45.1	27.0	.35	12.9	308.0	34.5	45.1	27.0	.35	12.9
Mor-Flo Inds M	16.00	.00	.0	16.50	16.00	19.25	14.50	154	.61	.36	69.4	12.5	.01	.1	.....	3 mos.	03-86	52.4	.0	.7	- 58.8	.28	- 56.9	52.4	.0	.7	- 58.8	.28	- 56.9
Newell Co N	32.13	- 2.25	- 6.5	35.50	30.50	36.75	15.63	3,198	3.21	1.15	179.1	14.7	.70	2.2	.....	3 mos.	03-86	94.5	18.9	4.1	28.1	.44	25.7	94.5	18.9	4.1	28.1	.44	25.7
Owens Corning N	51.13	4.38	9.4	51.38	47.25	56.75	32.13	9,963	3.34	1.67	100.0	12.1	1.40	2.7	.....	3 mos.	03-86	866.1	27.7	22.9	- 18.2	.77	- 18.9	866.1	27.7	22.9	- 18.2	.77	- 18.9
Ply-Gem A	13.50	- .63	- 4.4	14.50	12.63	15.50	9.59	2,261	3.08	1.51	104.0	18.8	.12	.9	.....	3 mos.	03-86	50.6	24.3	2.0	81.8	.26	30.0	50.6	24.3	2.0	81.8	.26	30.0
Pope & Talbot N	19.13	- .38	- 1.9	20.25	18.50	24.75	16.75	789	1.32	.87	51.7	29.4	.80	4.2	.....	3 mos.	03-86	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0
Potlatch Cp N	48.63	- 1.75	- 3.5	52.38	48.00	52.38	32.25	2,158	1.66	.99	67.7	19.7	1.56	3.2	.....	3 mos.	03-86	233.3	- .6	13.6	18.3	.95	41.8	233.3	- .6	13.6	18.3	.95	41.8
Sherwin-Wms N	26.63	- .38	- 1.4	28.25	24.50	32.25	16.63	31,235	6.78	1.23	451.2	16.3	.50	1.9	.....	3 mos.	03-86	502.7	2.2	6.9	21.1	.15	15.4	502.7	2.2	6.9	21.1	.15	15.4
SW Forest Ind N	12.63	- .13	- 1.0	13.00	12.25	15.88	9.88	5,929	5.86	2.65	121.1	NE	.00	.0	.....	3 mos.	03-86	142.5	- 16.4	(8.0)	NE	(.94)	NE	142.5	- 16.4	(8.0)	NE	(.94)	NE
Stanley Works N	39.00	- 1.38	- 3.4	41.38	38.25	46.25	27.63	5,759	2.07	.80	158.8	13.6	1.04	2.7	.....	3 mos.	03-86	324.2	17.1	14.7	5.0	.53	1.9	324.2	17.1	14.7	5.0	.53	1.9
Thos Inds N	21.63	- .38	- 1.7	22.00	21.13	26.75	16.19	755	.84	.47	78.7	11.8	.68b	3.1	.....	3 mos.	03-86	70.8	- 4.2	3.2	.0	.36	5.9	70.8	- 4.2	3.2	.0	.36	5.9
USG Corp N	37.63	- 2.75	- 6.8	41.50	36.50	42.75	18.31	11,859	1.83	1.18	55.1	10.7	.96	2.6	.....	3 mos.	03-86	622.1	5.7	51.7	21.6	.81	26.6	622.1	5.7	51.7	21.6	.81	26.6
Walter, Jim N	43.00	- 1.50	- 3.4	45.00	41.13	48.00	26.00	6,542	2.26	1.51	49.7	16.2	1.40	3.3	.....	9 mos.	05-86	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind M	14.63	- .63	- 4.1	15.50	14.63	17.13	10.00	642	2.05	2.30	- 10.9	18.1	.08	.5	.....	9 mos.	03-86	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser N	33.75	- .75	- 2.2	35.00	32.63	40.25	24.75	29,401	2.26	.95	137.9	24.3	1.30	3.9	.....	3 mos.	03-86	1306.7	2.4	50.0	30.9	.31	29.2	1306.7	2.4	50.0	30.9	.31	29.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

C3150-6

National Home Center News®

Vol. 12, No. 17 The pe… owners and contractors. Published by Lebhar-Friedman Inc. Aug. 11, 1986
$2 a copy

From concept to consumer: GETTING NEW PRODUCTS TO MARKET

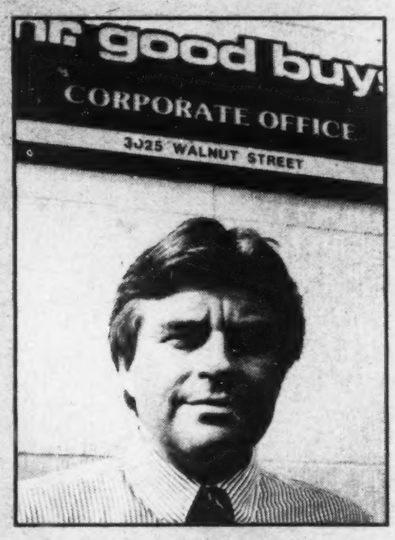
National Home Center News®

Vol. 12, No. 17 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 11, 1986

Thornton expected to lead expansion at Goodbuys

By Brad Altman
NHCN staff editor

PHILADELPHIA — Former Orchard Supply Hardware president Thomas Thornton, who late last month took over as president of Mr. Goodbuys, is expected to lead the 10-store chain in an aggressive expansion campaign that may include acquisitions.



Thomas Thornton

A native of Manhasset, N.Y., Thornton, 39, will report directly to Steven Erlbaum, Mr. Goodbuys chairman and ceo and former Mr. Goodbuys president Dan Neducsin, who becomes vice chairman of the board and chief operating officer of the company that did some $90 million in sales last year.

"We have gigantic plans over the next four years to become a billion dollar retailer," Erlbaum told *NHCN*. Key to that plan, said Erlbaum, will be finding real estate, building stores and looking at acquisitions.

(Continued on page 191)

Mr. HOW cancels all orders, 25% of store help laid off

By Donald Longo
NHCN staff editor

MARGATE, Fla. — The vital signs at Mr. HOW Warehouse are getting faint.

Knowledgeable company sources report that 25% of the chain's store personnel—or at least roughly 550 people—were laid off on July 28.

Only four days earlier, the beleaguered chain of 22 home improvement stores owned by Service Merchandise Company, reportedly cancelled all orders with its vendors.

That decision came 24 hours after a separate move involving the dismissal of at least 60 employees from its office staff here, including executive vp Hank Kirschner, the chain's second highest-ranking official; merchandising vp Gary Landress; and merchandise managers Bob Salico, Richard Johnson and Mary Gamble.

"The only signals I'm getting from [Mr. HOW's] head-

(Continued on page 8)

O'Malley Lumber begins retrofit program for all units in chain

By John Caulfield
NHCN staff editor

PHOENIX — O'Malley Lumber Co. here began a major remodeling program last month that, over the next 12 months, will upgrade the interiors of all 16 of its home centers.

The company has just completed retrofitting its 4,000-sq.-ft. unit in Buckeye, about 35 miles west of Phoenix, and, in late July, was halfway through renovating one of its Mesa, Ariz., units and was about to start on its Phoenix unit located on Indian School Road.

The renovation program will cost O'Malley's between $40,000 and $60,000 per store, depending on its size and condition, according to Robert Sanderson, the chain's director of marketing who joined O'Malley's in January from W.R. Grace's Western Region. Sanderson also served a two-year stint at Boise Cascade (where he helped to remodel many of its stores) and

(Continued on page 191)

Five vp's run Orchard during search for ceo

By an NHCN staff editor

SANTA MONICA, Calif. — Wickes Cos. said it is searching for a new chief executive of 21-unit Orchard Supply Hardware in the wake of president Thomas Thornton Jr.'s resignation, effective July 25, to become president of 10-unit Mr. Goodbuys in Philadelphia.

Meanwhile, under an interim operating plan, the San Jose, Calif.-headquartered company will be run by five company vice presidents: John Self, vp-store operations; Bob Lewis, vp-merchandising; Bill Collard, vp-distribution; Steve Hilberg, vp-finance; and Carolyn McInnes, vp-human resources.

In an unrelated development, OSH veteran Loren Smith, who had been acting in

(Continued on page 8)

New Survey:

Dealers face hidden costs of accidents

By an NHCN staff editor

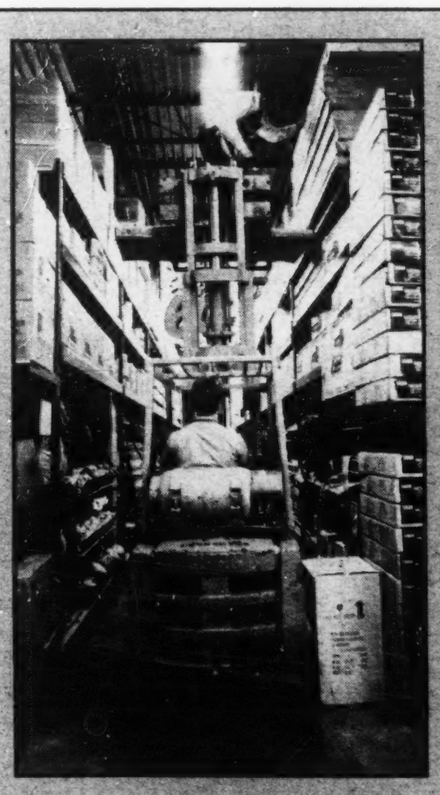
NEW YORK — Workers compensation costs in the home center industry rose dramatically last year to an average of $3.25 per $100 of payroll from $2.78 per $100 in 1984.

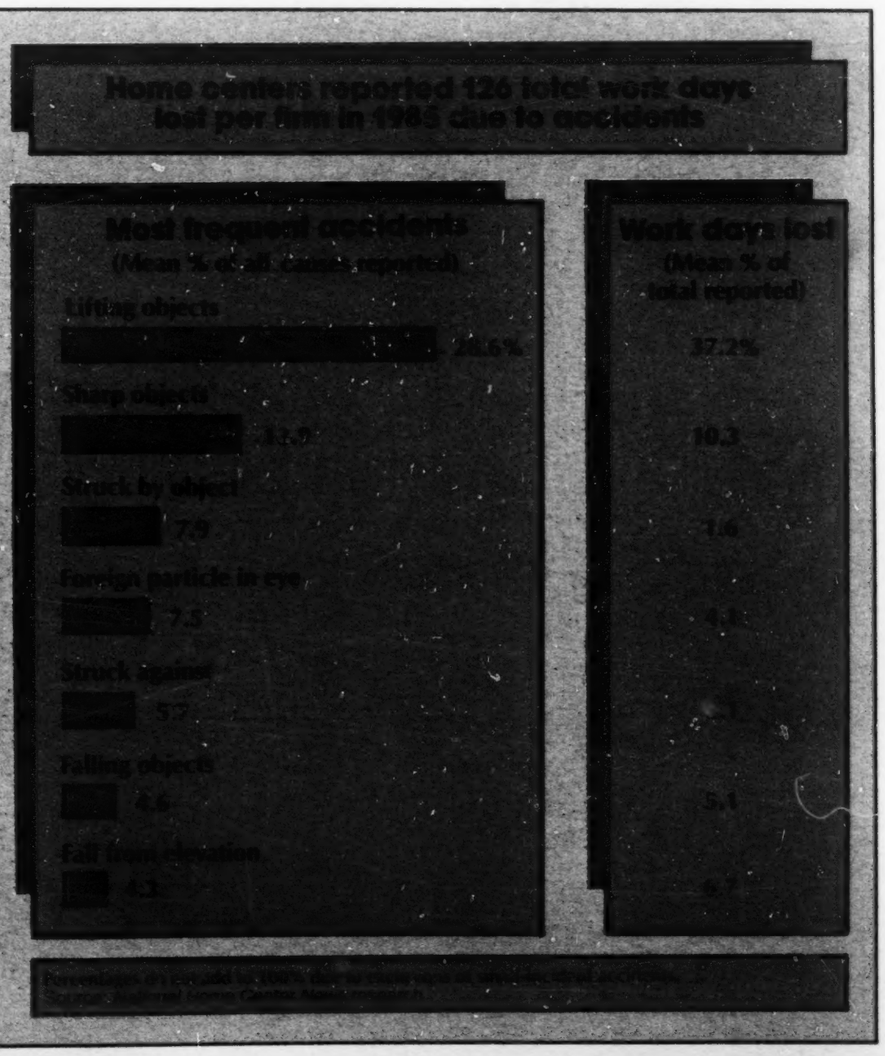
If there is any solace in that news for home center retailers, it may be in the fact that the number of total days lost due to accidents fell last year, to an average of 126 days per firm, from 133 the year before.

Both sets of numbers, however, hint at a problem that has remained largely undefined in the retail home improvement industry: employee safety, or rather, the relatively poor quality of it.

The numbers, along with

(Continued on page 191)

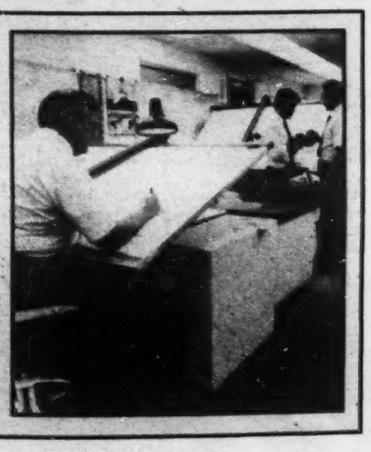

Home center employees continue to extend themselves beyond safe limits. The result: A significant industrywide safety problem is surfacing, yet most retailers are having to search for solutions on their own.



INSIDE

Perspectives: Dealers are finding fewer suppliers that appear to be willing to spend the time and money to bring out new products. **27**
Summit meeting: Ernst executives took new ceo and president Hal Smith's challenge to climb Mt. Rainer this past June. **40**

Ad & Marketing: Ohio hardware store owner Jim Lehman saw a market that was not being served and has carved a niche with a catalog of nonelectric items. **113**
Systems & Operations: Consolidation has left a glut of employees pounding the pavement looking for work. **141**



NEWSBREAKS

HUGH M. WOODS TO BOLSTER DENVER PRESENCE: The 17-store chain will build three new units in 1987, its first expansion since its 1983 acquisition by Payless Cashways. One store will be in Greeley, Colo., with two others in south and southeastern Denver.
KNOX SELLING 3 STORES TO MENARD'S? Late last month, Menard Cashway was ready to acquire Knox Lumber's home centers in Sioux Falls, S.D.; Fargo, N.D.; and Duluth, Minn., according to local newspaper reports.

INDUSTRY UPDATE

Handy Andy closes small Ill. unit

GURNEE, Ill. — Handy Andy Home Improvement Centers Inc. closed its 27,000-sq.-ft. store in southwest Chicago July 7, supplanting it with a newly acquired Mr. HOW property in the neighborhood.

Ron Rashkow, chairman of the Gurnee, Ill.—based Handy Andy, said the outlet was too small for the competitive Chicago market area and was sold. Handy Andy's store average is in excess of 60,000 sq. ft.

Rashkow said the property—acquired in the 1979 takeover of Republic Lumber here—was sold to a sporting goods chain for an undisclosed sum. On June 4, Handy Andy acquired the six Mr. HOW properties in the Chicago area from Service Merchandise.

With the Mr. HOW acquisition, the chain operates 25 stores (including two franchises) in Chicago, downstate Illinois, Wisconsin and Indiana.

All American embarks on facelift

DOWNEY, Calif. — All American Home Center is embarking on a major facelift of its 65,000-sq.-ft. main sales floor, according to merchandise manager Tom Farrell.

The single-unit independent is "continuing its evolution away from the warehouse look to a more customer-oriented, department store look," Farrell said. The new decor package will be phased in gradually over the next several months and will be completed by early next year.

Erb buys Peter Kuntz for $22M

BIRMINGHAM, Mich. — Erb Lumber completed its purchase of the assets of Peter Kuntz Building Centers on July 24. The company had offered a total of $22 million for Peter Kuntz Co., according to documents filed last month with the SEC. The amount is to be paid in cash, a note payable and assumption of liabilities.

The company stated that the purchase price was based primarily on the net book value of PK's assets.

The $22 million figure includes $1 million as a premium over and above the value of the assets.

In selling its assets to Erb, the PK company agreed to not compete in any business similar to Erb's for a period of at least five years, in the states of Ohio and Indiana.

Peter Kuntz Co. indicated it had been seeking a buyer for its 21 building materials stores after experiencing several years of unsatisfactory earnings (*NHCN*, June 30).

Fagen's enters expansion mode

PITTSBURGH — Fagen's, the $40 million chain of 14 stores, has launched a new expansion campaign designed to grow the firm to $100 million over the course of the next two years.

The first round of the expansion occurred last month, when Fagen's held the grand reopening of Latrobe Lumber, a $2 million building materials retailer which it acquired for $1 million in May. The previous management had sold the unit because the owner was retiring.

Fagen's has totally refurbished the store in a move to adjust the mix of sales there from 50% contractor sales to the 65% that is more typical of Fagen's units.

"We're in the market right now for additional chains and have a deal on the table that may close in early August," said Fagen. He said his company was in the market for chains that are doing less than $10 million annually. Fagen said that his firm may pick up chains anywhere on the East Coast.

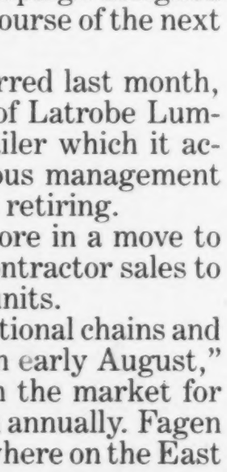
Price losers outnumber gainers

NEW YORK — Home center companies continued to be buffeted by a general softening in the stock market in mid July. During the two week period that ended July 25, the prices of 39 companies dropped, while 14 rose. Two companies remained the same.

In the specific category of retail home center stocks, Wolohan performed best, increasing by 4.3% to close at $9. Forest City Ent rose 1.2% to close at $31.

Retail losers for the period were led by Michigan General, which dropped 15.4% to $2.75.

(See financial tables on page 190)



If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Federal bankruptcy judge denies rehearing concerning Evans plan

By John Caulfield
NHCN staff editor

MIAMI — A federal bankruptcy judge has denied all motions for a rehearing concerning his July 2 confirmation of a plan for reorganizing Evans Products Co.

Judge Thomas C. Britton also delayed ruling on a stay pending appeal of that confirmation, filed by the company, until October 6 which, coincidentally, is the date Evans is expected to effectively be out of Chapter 11.

Evans' attorneys have filed a Notice of appeal with Federal District Court in Miami in an attempt to have Judge Britton's confirmation overturned, as it is unlikely the judge will alter his decision two months from now at the hearing.

However, the company's lawyers have agreed to a stipulated order appointing an interim board of directors and management team to handle the company's businesses while it reorganizes.

As previously reported, WIlliam Nightingale, president of Nightingale & Associates, a New Canaan, Conn., consulting firm, has been retained to serve as president of Evans Products and its subsidiaries during this interim period. Tor Arneberg and Stephen Hopkins, two Nightingale's associates, will also be either directors or officers of Evans and its subsidiaries.

Perhaps the biggest surprise is that Mike Grossman, the former Evans Retail president who will ultimately run the retail firm when it emerges from Chapter 11, is not involved in the reorganization plans. During the interim period, as stated in the July 21 stipulated order, Grossman "shall have no responsibility for overseeing transitional activities of Grossman's and Lindsley but shall, as and when requested, consult with other Interim Officers concerning such activities."

The retail operations will continue to be run by those managers already in place at the respective chains.

When contacted by phone by *NHCN*, Grossman said it would be "premature" to discuss what he would be doing prior to his reassuming control of the retail division. "But we're getting close to somevery big," he said, without elaboration.

It could not be determined whether Grossman was referring specifically to his reported attempt to purchase the retail group from Evans through a leveraged buyout.

If that is the case, Grossman isn't alone in his interest in all or part of Evans' stores. "There are a bunch of guys floating around whose names keep popping up as potential buyers," said Patrick Murphy, an attorney for Bank of America, the co-agent lender in Evans' bankruptcy proceedings. "The obvious ones, of course, are Wickes and Scotty's, although no formal offer has been made by anyone."

Scotty's interests in the Lindsley operation date back nearly two years, although Scotty's officials have consistently declined to discuss any concrete efforts they may have made toward acquiring the 43-unit chain. Wilhelm

(Continued on page 192)

Weyerhaeuser settles strike

By an NHCN staff editor

TACOMA — One of the two striking woodworkers' unions at Weyerhaeuser's northwest logging mills voted to return to work with a 20% pay cut, giving management virtually all of the wage and benefit concessions it had been seeking.

Some analysts, however, are quick to warn that the union givebacks are not necessarily a victory for Weyerhaeuser.

By a 2-to-1 vote, 6,200 members of the International Woodworkers of America (IWA)—the largest employee union at the company—accepted a two-year contract that cuts $2.90 out of their hourly pay and roll back fringe benefits the equivalent of another $1 an hour.

The approximately $4 an hour pay cut will reduce the average Weyerhaeuser lumberjack wage and benefits to about $9.60 an hour.

The vote came two weeks after IWA leaders signed an accord with Weyerhaeuser agreeing with company management that the forest products producer needed to cut labor costs in order to remain competitive.

Members of the IWA, which primarly represents loggers and forest workers, and 1,100 members of the Lumber Production and Industrial Workers (LPIW) union, walked off their jobs June 16 when the union's contract expired, thus shutting down 22 sawmills in Washington, Oregon and Idaho. Operations in the South and Canada were unaffected.

From the beginning, Weyerhaeuser had argued that the company needed wage and benefit concessions in order to compete against small nonunion mills in the Northwest and South.

The new proposal allows for union employees to recapture

(Continued on page 192)

Plywood Ranch moves HQ to Weymouth, Mass.

By Milford Prewitt
NHCN staff editor

WEYMOUTH, Mass. — Plywood Ranch, the New England home center chain formerly based in Braintree, Mass., has moved its company headquarters to this town and has announced the opening of a new unit in Fitchburg.

R. Lee Tussing, vp of Plywood Ranch, said the company had to move after Charles Rosen, previous owner of the chain, sold the building earlier this year.

The company will transfer its executive staff to Weymouth while much of the merchandise and retail staff will be moved to Fitchburg where Plywood Ranch acquired a 10,000-sq.-ft. independent.

The new Fitchburg unit had been a former franchise unit of Plywood Ranch back in the early 80's when the company sought its growth through a network of franchises that hit nearly 30 stores. But the subsequent recession saw the company lose more than half of its stores.

Tussing noted that the new acquisition still had the old Plywood Ranch sign underneath its outdoor signage, therefore eliminating the need to install new signs.

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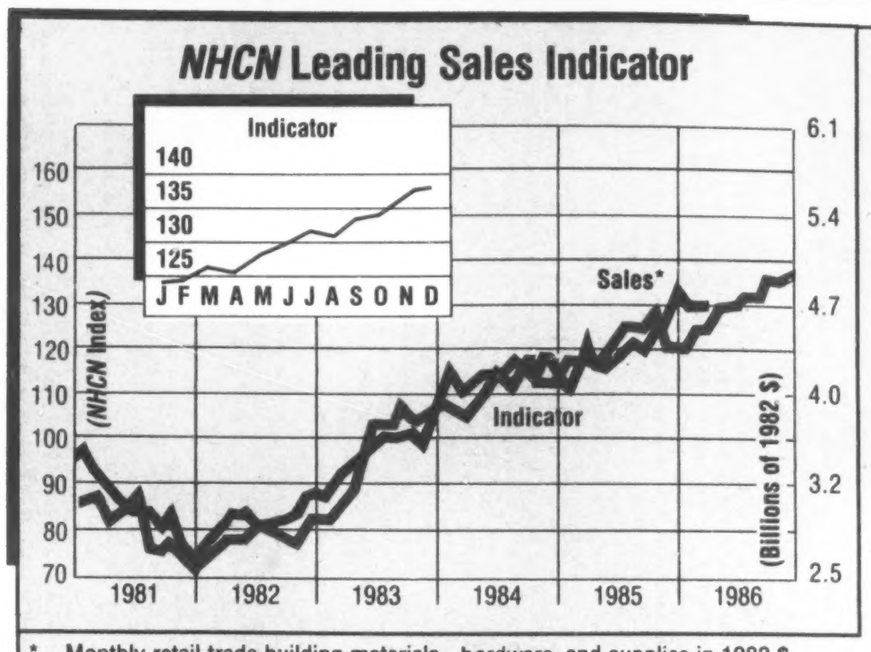
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in 1982 $.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

The NHCN *Leading Indicator is projecting a flattening in building material sales in the near term. Resales were down in the first quarter and will weaken building material demand. By year end, sales will begin to increase from the lagged effect of the recovery in existing home sales in the spring and lower interest rates.*

Building materials sales up 18% for service-intensive Mid Atlantic

By Richard E. Mount
Special to NHCN

Mid Atlantic recovery

Building material sales in the Middle-Atlantic states will increase 18% this year, slightly faster than the 15% national average. After adjusting for price increases, unit sales in the region will be up 14% versus 11% nationally. The region is transforming itself away from old-line manufacturing toward service, finance and high technology. Growth in most local economies will remain strong through 1987. Building material sales in New York will rise the fastest, closely followed by New Jersey and then Pennsylvania.

Richard E. Mount

Rising resale values are good for building material sales as consumers upgrade existing homes. While the national median price is up 4.4% from a year ago, New York City is up 17.8%. Even in Middle-Atlantic cities that have not expanded as rapidly as New York, home prices have still outpaced the national average. Albany is up 20.5%; Buffalo, 6%; Rochester, 10%; and Syracuse, 11%. Of the major cities in the region, only Philadelphia lags the nation's pace—up 0.9%.

New York

Building material sales will rise 19% this year in New York. While the residential market is not the strongest in the region, its nonresidential sector is booming, increasing the demand for building materials. Starts rose 32% last year and resales, 28%. In 1986,

(Continued on page 180)

Home Center Industry Regional Outlook

		1985			1986				1987			
		QII	QIII	QIV	QI	QII	QIII	QIV	QI	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		116	121	123.4	124.7	127.9	132.1	136.6	138.8	118.5	130.3	139.6
Building Material Retail Sales												
Current	Total U.S. ($ millions) SAAR	53,512	53,736	56,976	61,180	62,400	61,922	63,209	65,595	53,841	62,178	67,210
	New England	2,902	3,238	3,477	3,492	3,906	3,858	3,894	4,028	3,038	3,787	4,111
	Middle Atlantic	7,119	7,408	8,306	8,324	8,730	8,595	8,748	9,052	7,269	8,599	9,241
	East North Central	8,575	8,603	9,048	8,096	9,884	9,839	10,094	10,528	8,381	9,479	10,831
	West North Central	3,860	3,841	4,000	3,541	4,349	4,304	4,368	4,519	3,747	4,140	4,629
	South Atlantic	11,139	10,868	11,837	13,871	12,936	12,867	13,173	13,683	11,262	13,212	14,047
	East South Central	2,912	3,056	3,182	3,513	3,650	3,660	3,786	3,982	2,964	3,652	4,112
	West South Central	6,240	5,822	6,041	6,817	6,240	6,130	6,144	6,350	6,090	6,333	6,475
	Mountain	2,606	2,620	2,763	3,256	3,026	3,028	3,104	3,221	2,674	3,103	3,290
	Pacific	8,158	8,281	8,322	10,269	9,678	9,641	9,899	10,233	8,377	9,872	10,473
Constant	Total U.S. (1972 $ millions) SAAR	50,990	51,209	53,765	57,369	57,200	56,200	56,800	58,360	51,055	56,892	58,905
	New England	2,765	3,086	3,281	3,457	3,581	3,501	3,499	3,583	2,883	3,509	3,603
	Middle Atlantic	6,783	7,060	7,838	7,909	8,002	7,801	7,861	8,054	6,897	7,893	8,099
	East North Central	8,171	8,198	8,358	9,185	9,060	8,930	9,071	9,367	7,954	9,062	9,493
	West North Central	3,678	3,660	3,775	4,101	3,987	3,906	3,925	4,021	3,556	3,980	4,057
	South Atlantic	10,614	10,357	11,170	11,603	11,858	11,678	11,837	12,174	10,687	11,744	12,311
	East South Central	2,775	2,912	3,003	3,263	3,346	3,321	3,402	3,542	2,813	3,333	3,604
	West South Central	5,946	5,548	5,701	6,216	5,720	5,564	5,521	5,649	5,779	5,755	5,675
	Mountain	2,483	2,497	2,607	2,797	2,774	2,748	2,789	2,865	2,537	2,777	2,883
	Pacific	7,774	7,892	7,853	8,841	8,872	8,750	8,895	9,104	7,949	8,839	9,179
Per Cent of U.S. Total												
Current	Total U.S. ($ millions) SAAR	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.42	6.03	6.10	6.03	6.26	6.23	6.16	6.14	5.65	6.17	6.12
	Middle Atlantic	13.30	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.51	13.87	13.75
	East North Central	16.02	16.01	15.88	16.01	15.84	15.89	15.97	16.05	15.58	15.93	16.12
	West North Central	7.21	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.96	6.99	6.89
	South Atlantic	20.82	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.93	20.64	20.90
	East South Central	5.44	5.69	5.58	5.69	5.85	5.91	5.99	6.07	5.51	5.86	6.12
	West South Central	11.66	10.83	10.60	10.83	10.00	9.90	9.72	9.68	11.32	10.12	9.63
	Mountain	4.87	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.97	4.88	4.89
	Pacific	15.25	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	87.5	91.3	88.6	92.7	94.3	94.5	94.1	92.4	88.5	93.9	91.1
	Cement	110.0	106.5	99.8	121.2	114.9	115.2	113.1	110.9	105.7	116.1	109.4
	Gypsum Mallboard	127.7	129.6	132.4	132.8	133.7	132.3	134.5	134.6	126.4	133.3	133.9
	Hardware	102.7	99.2	99.4	99.8	102.4	103.7	104.5	104.5	100.9	102.6	103.8
	Lumber Products	121.8	126.1	125.7	128.0	128.4	129.3	128.7	127.5	122.9	128.6	126.7
	Paint	106.0	98.2	100.2	100.6	104.7	105.9	107.1	108.2	101.9	104.6	109.1
	Plywood	137.1	144.3	142.9	149.6	147.2	148.6	148.2	147.3	138.7	148.4	145.4

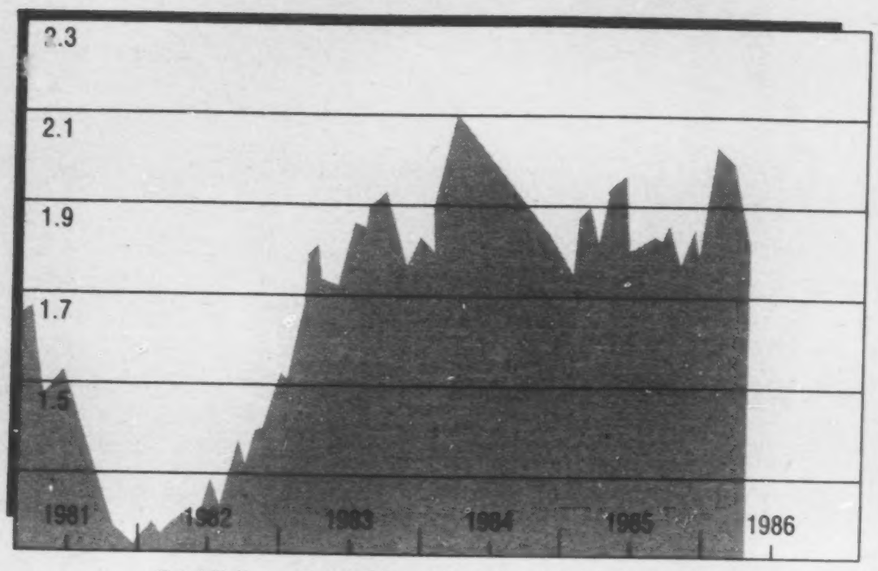
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 26, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

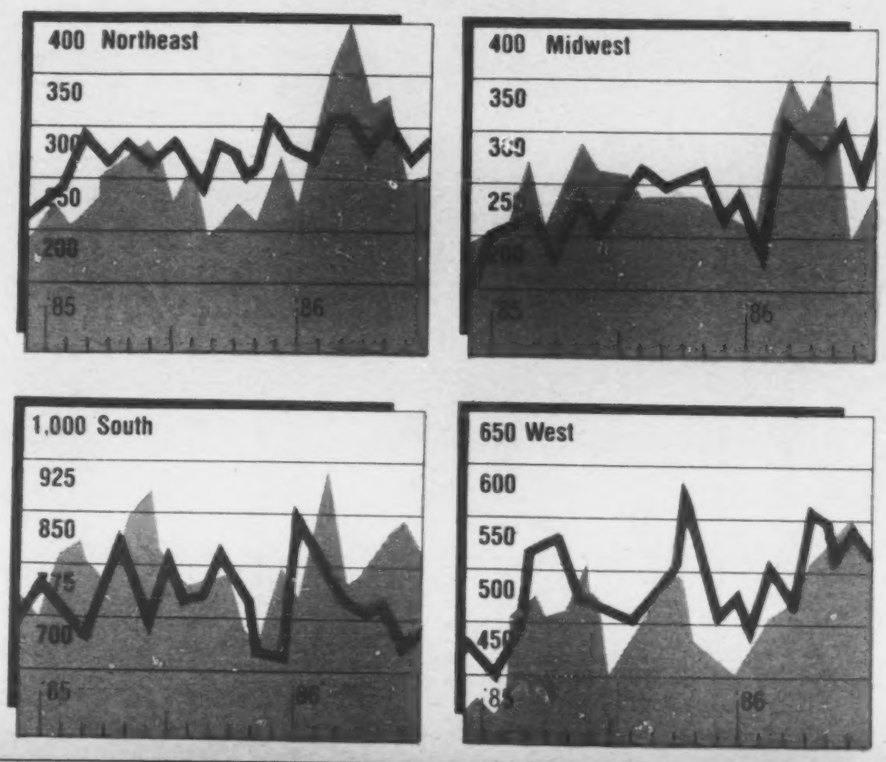
National housing starts and permits
(seasonally adjusted annual rates, in millions)

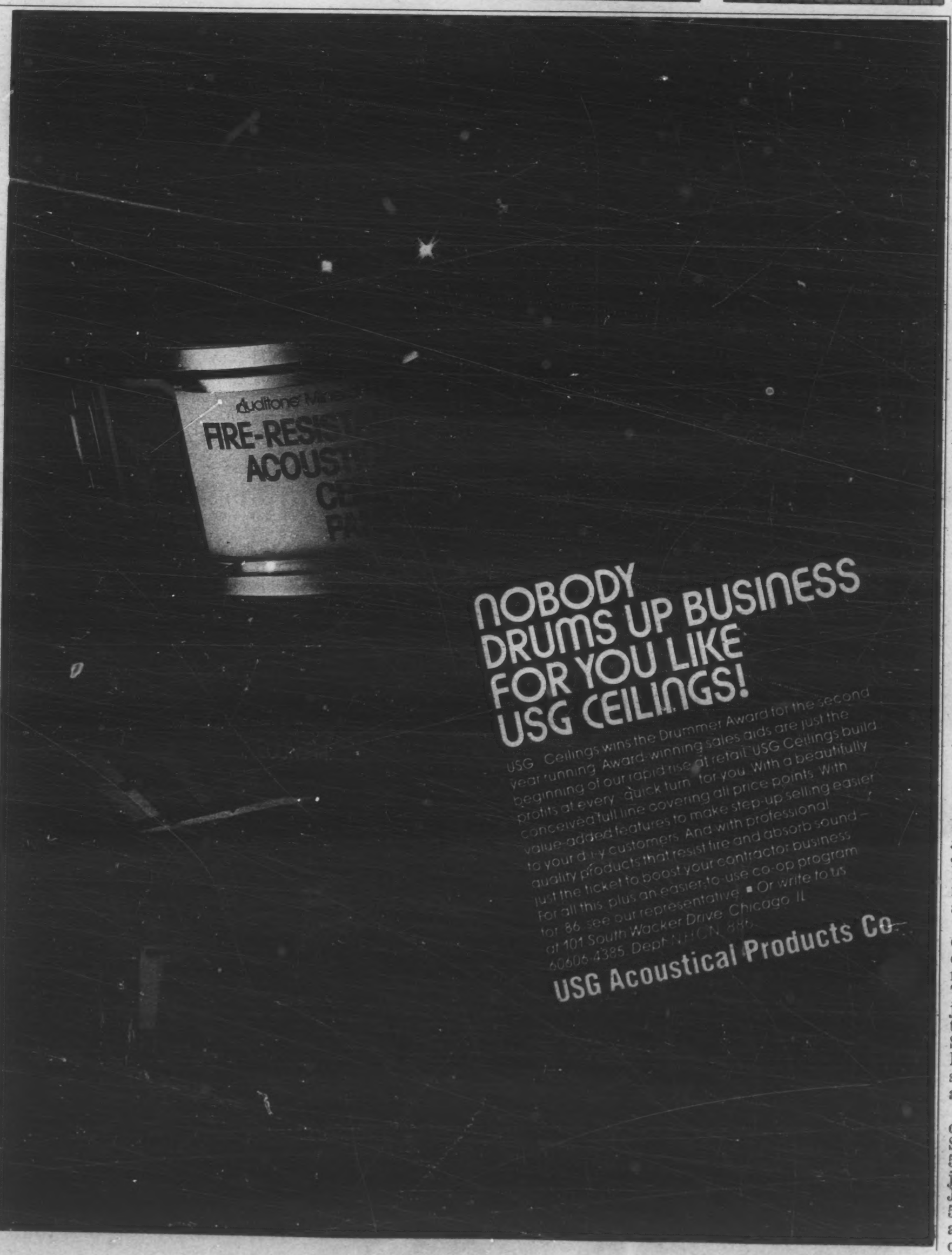


	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
June '86	1,845	1,745	1,223	1,088
May '85	1,860	1,788	1,247	1,092
June '85	1,693	1,717	1,036	958

Key: Starts, Permits

Regional housing starts and permits
(in thousands)

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USG Acoustical Products Co.

June starts lose ground, drop 0.8%

By an NHCN staff editor

NATIONAL REPORT — While the activity level remains strong, housing starts declined 0.8% in June to a seasonally adjusted 1.845 million units, according to the U.S. Department of Commerce. Single-family starts fell, too, by 1.9%, to an annualized 1.223 million units.

Housing permits also lost ground in June, dropping 2.4% to 1.745 million units, seasonally adjusted. And single-family permits declined 0.4% to 1.088 million units.

Although housing activity has softened recently from the two million-unit pace of earlier this year, experts contend the market is vital. Total starts should exceed the 1.8 million-unit level with single-family starts from 1.2 million to 1.3 million units.

Even with the May-to-June decline, activity was up substantially from June 1985. Total starts were up 9% and single-family starts, ahead by 18.1%. Total housing permits edged up 1.6% from last June, and single-family permits rose 13.6% compared to the same month a year ago.

In June, starts activity was strongest in the Midwest and Northeast. Both the South and West recorded starts declines. But the South was the only region to record an increase in permit activity during this reporting period.

Regional Housing
(in thousands)

	June '86 starts	% chg.	June '86 starts	% chg.
Northeast	280	+ 7.7	271	−2.2
West	504	− 4.0	493	−5.7
South	765	− 7.0	701	+2.0
Midwest	296	+17.5	280	−7.0

Housing starts in the Midwest jumped 17.5% in June to 296,000 units, seasonally adjusted, a 24.9% leap ahead of the pace set in June 1985, according to the Commerce Department. Permits, however, declined 7% from May, to 280,000 units, seasonally adjusted, but were 15.7% ahead of the year-ago month.

The Northeast charted a 7.7% increase in housing starts activity in June, to 280,000 units, seasonally adjusted, a 6.9% increase from June 1985. Permit activity here, though, declined 2.2% from May but was still 3.8% ahead of June 1985.

Although the South was the only region to record an increase in permits in June, the rise was small, only 2%, to 701,000 units seasonally adjusted, which was 6.3% below the pace set in June 1985. Starts fell back 7% from the May level, to 765,000 units, seasonally adjusted, just 2.5% above the year-earlier level.

Starts and permit activity declined in the West in June. Starts dipped 4% from May to 504,000 units, seasonally adjusted, but were 12.5% above June 1985. Permits declined 5.7%, to 493,000 units, seasonally adjusted, a 5.8% increase over June 1985.

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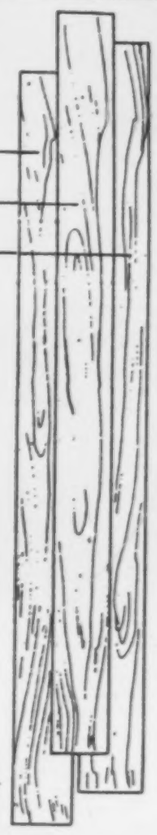

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LUMBER REPORT

New survey shows increased use of structural panels by builders

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — A recent survey by an investment bank on builders' attitudes towards structural panels reports that oriented strand board (OSB) and waferboard have become more widely accepted building products than plywood.

However, some retailers responding to the survey said based on sales performances, the demand for nonveneer panels significantly trails demand for plywood.

In its third annual survey of home builders' attitudes toward structural plywood substitutes, Salomon Bros. Inc. reports that nonveneer panels have become better known by builders who are encouraged by the products' lower costs and the high performance ratings the panels have earned.

Salomon Bros.' researchers interviewed 52 home builders, from large multiregional builders who constructed both multifamily and single-family homes, to small local contractors. The respondents indicated that they built approximately 51,800 single-family homes and 28,700 multifamily units in 1985, the year on which the survey is based.

Panel usage rises

When compared with 1984, the study showed an increasing willingness among builders to use nonveneer panels.

In 1984, only 53% of the 32 builders interviewed said they had used a nonveneer panel with 16% responding that they had never heard of waferboard and 53% saying they did not know what OSB was.

In the 1985 poll, 67% of the contractors built with a nonveneer panel, with more than half of the respondents indicating that they have been building with a plywood substitute for the past two years.

Plywood sales remain strong

But building material dealers said, while some of their contractor customers have shown a growing tendency to use the products, builder and DIY sales in nonveneer panels continued to be miniscule in relation to plywood.

"Waferboard is probably less than 25% of my panel sales," said Charles Carrier, lumber buyer of The Paty Co., Piney Flats, Tenn. "Although OSB and waferboard have made some inroads over the years, they have not made a dent in plywood sales."

Carrier said contractors in his area are continuing to use veneer sheathing and added that, despite his company's featuring waferboard in its advertising, consumers still tend to view it as an unfamiliar product.

Theo Grasmick, lumber buyer of Economy Building Materials, Denver, Colo., said when the nonveener products were new, his company promoted them heavily in advertising and was confident that the panels would sell on price.

But four years later, Grasmick said he probably sells 10 veneer panels for every 2 nonveneer. In addition, with four lumberyards scattered throughout the metropolitan area, only one stocks nonveneer panel mainly because of previous contractor interest.

"We have it stocked if people want it and we do advertise it, but sales are nil," Grasmick said.

Grasmick suggested that one reason contractors in his area have not embraced nonveneer panels is that many of them are specialty homebuilders, who frequently build custom homes and view nonveneer panels as a product used to construct tract houses.

At least one home center chain reports having some success with nonveneer panels in its units that are in rural areas.

John Cashmore, marketing director of Erb Lumber, Birmingham, Mich., said the company's metropolitan shoppers have demonstrated a perennial unwillingness to buy the product, while rural shoppers display strong demand for the panels.

Cashmore said demand has become so encouraging that the company no longer stocks CDX in its northern, rural stores.

"But I would say that, in the building trade, people like waferboard because of its costs and its structural advantages over plywood," Cashmore said.

Interest in new products

Martin C. Schaeffer, vp and gm of Triangle Building Centers, Quakertown, Pa., said not only has he seen builders in his area convert more to nonveneer panels, but also competing with plywood in his area is a builders' product from Owens-Corning that is a structural panel with insulation. But to show how old habits die hard, Schaeffer said the contractors will use the insulated panel for siding but then install regular plywood at the corners, thus losing the energy savings of the Owens-Corning product.

In the Salomon Bros.' study, price emerged as the most compelling reason builders used a plywood substitute. Of those who said they worked with nonveneer panels in 1985, 89% cited price. About half of the builders referred to the superior performance abilities of nonveneer panels such as strength, no delamination and availability as the influencing factors in their conversion to a plywood substitute.

Sheathing use popular

More than three-quarters of the builders who worked with OSB or waferboard indicated that they used the panels for roof sheathing, with 37% for flooring and 29% sidewalls and corner bracing.

Of those with a preference for either product, 65% favored OSB over waferboard.

The results of the Salomon Bros.' research comes amid widespread prognostication that the plywood industry, like an imperiled species, is threatened.

No new plywood mills

According to forest products industry analysts, the quality and quantity of forest land needed to produce high-grade veneer panels is rapidly being depleted. In addition, of all announced plans by forest products companies to build new mills, not one is to be plywood.

"We believe that these substitute products are on their way to replacing plywood in the sheathing and flooring markets and have probably brought to an end the construction of any new plywood mills," the Salomon Bros.' authors wrote.

While plywood continues to outproduce nonveneer panels at a rate that is roughly five panels to one, a growing commitment by the major forest products producers is biting into plywood's historic dominance. Nonveneer panel production is expected to account for 10% of the 23.4 billion bd. ft. of structural panels estimated to be produced this year.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended July 17

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
July '86	$166.50	$153.10	$154.20	$165.50	27	$190.90	$144.00
Sept.	$162.80	$150.70	$155.20	$160.60	3,451	$182.40	$145.50
Nov.	$160.30	$150.10	$153.50	$157.90	1,413	$174.50	$146.00
Jan. '87	$163.70	$154.50	$156.50	$161.70	406	$175.00	$150.00
March	$166.30	$157.00	$159.00	$165.00	179	$175.50	$153.00
May	$167.00	$159.00	$160.50	$166.50	60	$174.50	$159.00
July	$168.00	$160.10	$161.00	$167.50	14	$175.50	$160.10

Total Contract Vol. (Through 7/17): 17,632 **Previous Two Weeks: 19,597**
Total Open Interest (As of 7/17): 5,550 **Previous Week: 5,569**
Cash Price: $164.64 **Previous Week: $166.40** **Year Ago: $158.76**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 7/17
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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BUSINESS WATCH

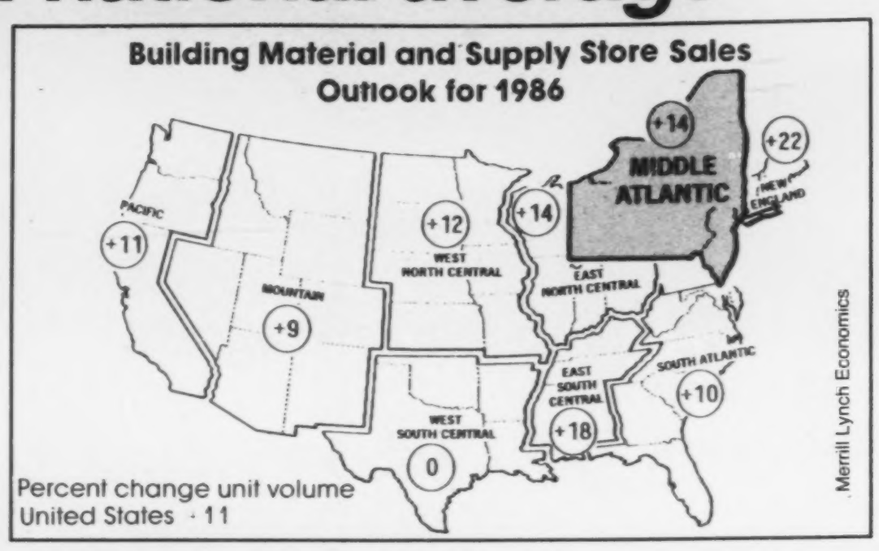
Mid-Atlantic sales projections better than national average

(Continued from page 16)

starts are expected to increase 13% and resales, 2%.

State employment is shifting away from manufacturing. Total employment is up 2.2% from a year ago with manufacturing down 2.3% but finance up 2.9% and services, 4.2%. Construction is up 8.9% from a year ago, with New York City 9.8% and Westchester County, 11.6%.

Recovery in the current cycle has not been evenly distributed in the state. The southern half has been very strong—New York City with finance and service and Long Island with defense and high technology. The northern portion remains weak from manufacturing and agriculture.



Sales of building materials in New Jersey will increase 18% in 1986. The state has the strongest economy and housing sector in the region. Housing starts increased 27% last year and will gain another 16% in 1986. Resales rose 24% last year but, due to weakness in the first quarter, could be off 4% in 1986.

Employment is running 3.0% ahead of last year's pace.

Manufacturing is down 0.4%, but finance is up 4.5% and services, 4.9%. Nonresidential construction has not been as strong as in New York. Construction employment is up only 1.7% from last year. Camden is enjoying a 7.8% increase in construction activity from a year ago as firms are relocating to the Cherry Hill area. Construction in Monmouth-Ocean is up 13.3%. Strength in the economy of New York City is causing a boom in residential construction with an expansion of office space.

Recovery in New Jersey

The recovery in the current cycle has been more evenly divided in the state. Northern New Jersey has seen an explosion of new office space along Interstate 287 for communications, computers and corporate headquarters. Princeton continues to expand its office space. Construction at the Jersey shore (Monmouth-Ocean) is rising the fastest in the state.

Pennsylvania

Building material sales in Pennsylvania will rise 16% this year. The state had had the weakest recovery in the region but has begun to accelerate in the last year. Housing starts rose 4% in 1985 but should increase 12% in 1986. Resales were up 24% last year and should be unchanged in 1986.

Pennsylvania employment is up only 1.5% from a year ago. Manufacturing is down 4%, but finance is up 4% and services, 5%. Construction activity is growing fastest in the smaller towns. Total building activity in the state is up 6.6% but only 5.5% in Philadelphia and 5.9% in Pittsburgh.

The recovery in Pennsylvania will accelerate this year and next, while New York and New Jersey begin to moderate as manufacturing benefits from a lower dollar.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

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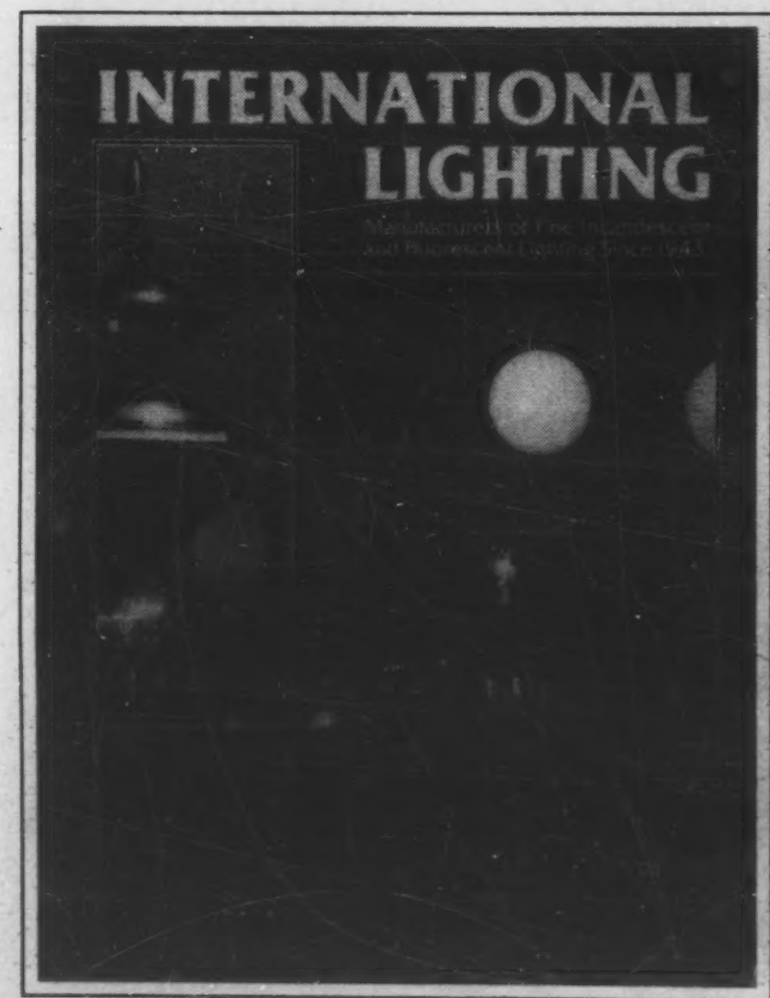

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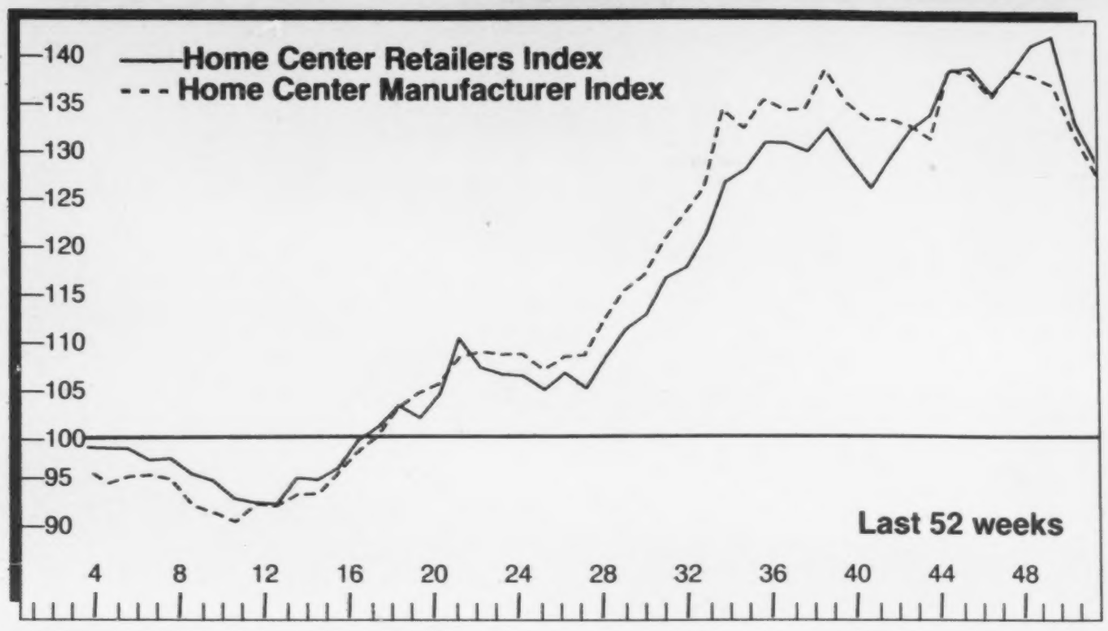
FINANCIAL NEWS

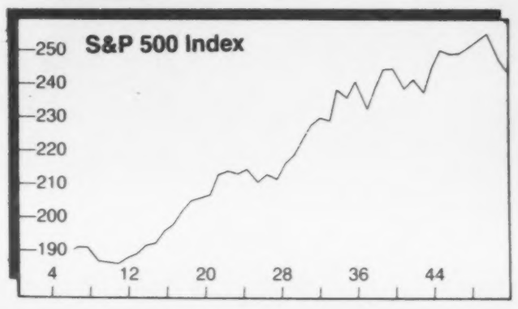


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
7-25-86	(100)	%	%
Waxman Ind ..... M	2,926	404.3	2.6
Newell Co ..... N	6,410	340.0	- 20.2
Walter, Jim ..... N	22,907	301.0	7.8
Certain-teed ..... N	5,816	257.0	- 12.3
Natl Hardgoods ..... M	688	245.1	- 2.4
Potlatch Cp ..... N	4,116	242.4	11.6
Sherwin-Wms ..... N	22,658	230.2	- .9
Wolohan Lumber ..... M	4,410	206.1	4.3
Am Standard ..... N	15,898	191.4	- 4.5
Ply-Gem ..... A	3,024	179.6	- 3.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 7-25-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Potlatch Cp ..... N	54.25	11.6	4,116
Walter, Jim ..... N	46.38	7.8	22,907
Lewis Palmer ..... M	8.88	7.6	1,236
Owens Corning ..... N	54.63	6.8	12,357
Wolohan Lumber ..... M	9.00	4.3	4,410
Armstrng Wrld ..... N	59.25	3.5	8,070
Pope & Talbot ..... N	19.63	2.6	620
Waxman Ind ..... M	15.00	2.6	2,926
Emhart Corp ..... N	36.38	2.5	4,078
K mart Cp ..... N	54.50	1.9	60,228
Losers	**$**	**%**	**(100)**
Newell Co ..... N	25.63	- 20.2	6,410
Allegheny Int ..... N	16.00	- 20.0	2,936
Mich General ..... A	2.75	- 15.4	2,914
Black & Decker ..... N	15.75	- 13.7	30,840
Certain-teed ..... N	28.50	- 12.3	5,816
Payless Cash ..... N	21.25	- 8.6	12,273
Hechinger A ..... M	21.25	- 8.6	4,321
Natl Lumber ..... M	5.75	- 8.0	393
Erb Lumber ..... M	16.38	- 7.4	969
Zayre Corp ..... N	36.38	- 7.0	20,730

National Home Center News®

HOME CENTER MARKET SUMMARY

Company and Market	2-Weeks Ended 7-25-86	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile ..... M	22.38	- .50	- 2.2	22.50	22.13	24.63	16.88	4,745	5.02	2.90	73.1	14.9	.00	.0	.....	9 mos.	03-86	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber ..... M	16.38	- 1.31	- 7.4	17.00	16.25	19.25	5.19	969	2.89	1.31	120.6	9.5	.00	.0	.....	3 mos.	03-86	35.1	33.5	(.3)	NE	(.10)	NE	35.1	33.5	(.3)	NE	(.10)	NE
Forest City Ent ..... A	31.00	.38	1.2	31.00	30.50	31.25	22.00	25	.03	.09	- 66.7	42.5	.30	1.0	.....	3 mos.	04-86	88.0	19.4	.2	.0	.03	50.0	88.0	19.4	.2	.0	.03	50.0
Grace W R ..... N	50.75	- 1.75	- 3.3	52.50	48.50	60.75	35.50	29,418	7.08	2.62	170.2	15.6	2.80	5.5	NEW	6 mos.	06-86	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman ..... A	30.38	- .13	- .4	30.88	30.25	36.00	21.75	362	1.41	.60	135.0	12.4	.20	.7	.....	3 mos.	03-86	62.6	.8	(.2)	- 100.0	(.06)	- 100.0	62.6	.8	(.2)	- 100.0	(.06)	- 100.0
Hechinger A ..... M	21.25	- 2.00	- 8.6	23.25	21.00	23.59	12.81	4,321	3.95	2.89	36.7	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.50	- 1.00	- 4.3	23.00	21.00	23.59	12.81	1,180	.39	.15	160.0	28.1	.06	.3	.....	3 mos.	04-86	136.9	19.5	4.9	28.9	.16	14.3	136.9	19.5	4.9	28.9	.16	14.3
Homecrafters Whse ..... M	.50	.00	.0	0.75	0.50	6.75	.50	122	.43	.96	- 55.2	NE	.00	.0	.....	fiscal	01-86	41.4	17.6	(10.1)	NE	(3.62)	NE	184.4	17.9	(23.6)	NE	(8.42)	NE
Home Depot ..... N	18.13	- .63	- 3.3	19.13	16.88	21.75	10.50	6,452	2.57	2.46	4.5	40.3	.00	.0	.....	3 mos.	04-86	222.6	53.5	5.1	168.4	.20	150.0	222.6	53.5	5.1	168.4	.20	150.0
INTERCO Inc ..... N	42.75	- 1.63	- 3.7	44.38	41.13	47.63	31.38	3,711	1.30	1.05	23.8	14.2	1.60	3.7	.....	3 mos.	05-86	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp ..... N	54.50	1.00	1.9	55.75	49.50	57.38	30.63	60,228	4.79	3.03	58.1	27.7	1.48	2.7	.....	3 mos.	04-86	5212.4	4.6	91.6	56.6	.70	52.2	5212.4	4.6	91.6	56.6	.70	52.2
Lowe's Cos ..... N	31.00	- .88	- 2.7	33.13	29.38	41.50	20.75	15,456	3.95	1.60	146.9	19.1	.40	1.3	.....	3 mos.	04-86	534.0	18.1	11.4	- 4.2	.31	- 6.1	534.0	18.1	11.4	- 4.2	.31	- 6.1
Mich General ..... A	2.75	- .50	- 15.4	3.25	2.63	6.13	2.63	2,914	2.57	1.39	84.9	NE	.00	.0	.....	3 mos.	03-86	91.2	3.5	(5.9)	NE	(.53)	NE	91.2	3.5	(5.9)	NE	(.53)	NE
Natl Hardgoods ..... M	10.00	- .25	- 2.4	10.13	9.75	10.25	5.50	688	5.59	1.62	245.1	23.8	.00	.0	.....	3 mos.	04-86	6.5	- 3.0	.0	- 100.0	.03	200.0	6.5	- 3.0	.0	- 100.0	.03	200.0
Natl Lumber ..... M	5.75	- .50	- 8.0	6.25	5.25	7.25	4.00	393	.70	.92	- 23.9	NE	.00	.0	.....	*	04-86	NC	NC	NC	NC	NC	NC	32.6	NC	(.6)	NC	(.10)	NC
Pay N Pak ..... N	15.00	- .63	- 4.0	15.50	14.50	19.38	11.63	2,182	2.18	2.78	- 21.6	17.9	.64	4.3	.....	3 mos.	05-86	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash ..... N	21.25	- 2.00	- 8.6	23.38	21.00	27.50	13.50	12,273	3.54	2.16	63.9	17.7	.16	.8	.....	6 mos.	05-86	428.8	14.1	15.6	20.0	.45	15.4	703.3	11.5	18.0	23.3	.52	18.2
Scotty's Inc ..... N	15.13	- .50	- 3.2	16.50	14.38	18.13	12.38	1,469	1.02	.52	96.2	14.3	.52	3.4	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	43.88	.25	.6	44.75	41.75	50.38	31.75	71,045	1.95	1.16	68.1	12.7	1.76	4.0	.....	3 mos.	03-86	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise ..... M	10.38	- .75	- 6.7	11.00	10.38	16.13	10.38	28,825	8.65	4.18	106.9	NE	.08	.8	.....	3 mos.	03-86	457.1	31.7	(29.2)	NE	(.88)	NE	457.1	31.7	(29.2)	NE	(.88)	NE
Std Brd Pnt ..... N	21.38	- .63	- 2.8	23.00	20.63	25.63	18.75	4,809	23.77	10.66	123.0	17.0	.58	2.7	.....	3 mos.	04-86	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen ..... N	59.25	- .50	- .8	59.75	56.00	63.88	39.88	2,716	1.42	1.01	40.6	16.6	.56	.9	.....	3 mos.	04-86	1337.3	10.0	12.3	4.2	.67	1.5	1337.3	10.0	12.3	4.2	.67	1.5
Wickes Cos ..... A	5.63	- .13	- 2.2	5.88	5.38	7.00	3.88	53,890	3.90	3.51	11.1	29.6	.00	.0	.....	3 mos.	04-86	995.1	40.9	15.7	NE	.02	NE	995.1	40.9	15.7	NE	.02	NE
Wolohan Lumber ..... M	9.00	.38	4.3	9.13	7.88	10.75	5.25	4,410	7.53	2.46	206.1	14.1	.16	1.8	.....	3 mos.	03-86	28.1	21.6	(.1)	NE	(.02)	NE	28.1	21.6	(.1)	NE	(.02)	NE
Zayre Corp ..... N	36.38	- 2.75	- 7.0	39.00	35.75	43.88	23.88	20,730	3.48	1.42	145.1	22.3	.32	.9	.....	3 mos.	04-86	1044.5	32.2	16.7	9.9	.28	3.7	1044.5	32.2	16.7	9.9	.28	3.7
Wholesalers																													
Lewis Palmer ..... M	8.88	.63	7.6	9.38	7.50	9.88	6.38	1,236	3.16	1.26	150.8	35.5	.28b	3.2	.....	3 mos.	04-86	33.8	2.4	.1	NC	.02	NC	33.8	2.4	.1	NC	.02	NC
Manufacturers																													
Allegheny Int ..... N	16.00	- 4.00	- 20.0	20.13	15.38	28.75	15.38	2,936	2.73	1.79	52.5	NE	.00	.0	.....	3 mos.	03-86	467.2	- 7.3	11.9	133.3	.41	NE	467.2	- 7.3	11.9	133.3	.41	NE
Am Standard ..... N	37.50	- 1.75	- 4.5	39.75	36.50	46.88	27.00	15,898	4.05	1.39	191.4	9.7	1.60	4.3	.....	3 mos.	03-86	715.0	6.8	50.2	147.3	1.30	150.0	715.0	6.8	50.2	147.3	1.30	150.0
Armstrng Wrld ..... N	59.25	2.00	3.5	59.25	52.75	69.88	31.88	8,070	3.36	1.41	138.3	13.5	1.44	2.4	.....	3 mos.	03-86	430.9	14.4	22.9	27.9	.95	26.7	430.9	14.4	22.9	27.9	.95	26.7
Black & Decker ..... N	15.75	- 2.50	- 13.7	18.50	15.13	25.25	15.13	30,840	5.32	2.42	119.8	23.9	.40	2.5	NEW	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade ..... N	54.13	- 2.75	- 4.8	56.88	53.00	59.88	39.63	8,702	2.97	1.34	121.6	17.1	1.90	3.5	NEW	6 mos.	06-86	945.1	- .8	31.3	- 1.3	1.07	.0	1861.7	- 2.5	56.3	- 13.4	1.90	- 13.2
Certain-teed ..... N	28.50	- 4.00	- 12.3	32.25	27.25	38.50	22.38	5,816	3.07	.86	257.0	9.9	.90	3.2	NEW	6 mos.	06-86	286.1	- 1.7	16.2	- 1.8	.85	1.2	541.1	- .5	26.7	8.1	1.41	12.8
Champ Intl ..... N	23.88	- .13	- .5	24.00	22.50	29.75	20.25	36,171	3.82	1.97	93.9	16.5	.52	2.2	NEW	6 mos.	06-86	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc ..... N	36.75	- 2.25	- 5.8	39.00	36.75	41.38	31.50	290	.61	.49	24.5	11.1	1.40	3.8	.....	3 mos.	03-86	96.8	4.1	2.4	200.0	.51	200.0	96.8	4.1	2.4	200.0	.51	200.0
Emhart Corp ..... N	36.38	.88	2.5	37.00	35.00	42.63	26.38	4,078	1.34	.80	67.5	13.5	1.40	3.8	NEW	6 mos.	06-86	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Georgia-Pacifc ..... N	31.88	.25	.8	31.88	29.00	34.25	20.63	29,769	2.87	1.27	126.0	20.7	.80	2.5	NEW	6 mos.	06-86	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp ..... N	19.50	- .13	- .6	20.38	19.25	24.50	16.63	3,148	1.60	1.14	40.4	14.1	1.00	5.1	NEW	6 mos.	06-86	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific ..... N	24.50	- .25	- 1.0	24.75	22.75	30.13	17.13	9,363	2.53	1.01	150.5	19.9	.80b	3.3	NEW	6 mos.	06-86	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedl ..... M	26.00	- .50	- 1.9	26.25	25.50	28.63	12.47	441	.14	.15	- 6.7	NA	.25b	NA	.....	3 mos.	03-86	613.2	13.9	29.2	1023.1	.68	NE	613.2	13.9	29.2	1023.1	.68	NE
Manville Cp ..... N	2.63	- .13	- 4.5	2.88	2.50	8.88	2.50	8,446	3.52	2.29	53.7	NE	.00	.0	NEW	6 mos.	06-86	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp ..... N	29.88	.00	.0	30.75	27.00	34.50	15.25	21,114	1.64	.84	95.2	22.6	.32	1.1	.....	3 mos.	03-86	308.0	34.5	45.1	27.0	.35	12.9	308.0	34.5	45.1	27.0	.35	12.9
Mor-Flo Inds ..... M	15.75	- .25	- 1.6	16.25	15.75	19.25	14.50	97	.38	.32	18.8	12.3	.01	.1	.....	3 mos.	03-86	52.4	.0	.7	- 58.8	.28	- 56.9	52.4	.0	.7	- 58.8	.28	- 56.9
Newell Co ..... N	25.63	- 6.50	- 20.2	32.50	24.75	36.75	15.63	6,410	5.72	1.30	340.0	12.1	.70	2.7	NEW	6 mos.	06-86	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning ..... N	54.63	3.50	6.8	55.00	48.25	56.75	32.13	12,357	4.15	1.74	138.5	11.6	1.40	2.6	NEW	6 mos.	06-86	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem ..... A	13.00	- .50	- 3.7	13.75	12.13	15.50	9.59	3,024	4.11	1.47	179.6	18.1	.12	.9	.....	3 mos.	03-86	50.6	24.3	2.0	81.8	.26	30.0	50.6	24.3	2.0	81.8	.26	30.0
Pope & Talbot ..... N	19.63	.50	2.6	20.00	18.50	24.75	16.75	620	1.03	.79	30.4	20.7	.80	4.1	NEW	6 mos.	06-86	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp ..... N	54.25	5.63	11.6	55.00	48.50	55.00	32.25	4,116	3.15	.92	242.4	16.6	1.56	2.9	NEW	6 mos.	06-86	249.9	.5	19.5	85.7	1.40	129.5	483.2	.0	33.1	50.5	2.35	83.6
Sherwin-Wms ..... N	26.38	- .25	- .9	26.63	23.88	32.25	16.63	22,658	4.92	1.49	230.2	15.9	.50	1.9	NEW	6 mos.	06-86	598.3	- 1.4	30.5	7.0	.65	4.8	1101.0	.2	37.4	9.4	.80	6.7
SW Forest Ind ..... N	12.75	.13	1.0	12.88	12.00	15.88	9.88	2,117	2.09	2.57	- 18.7	NE	.00	.0	.....	3 mos.	03-86	142.5	- 16.4	(8.0)	NE	(.94)	NE	142.5	- 16.4	(8.0)	NE	(.94)	NE
Stanley Works ..... N	36.50	- 2.50	- 6.4	39.25	34.75	46.25	27.63	6,516	2.34	.87	169.0	12.6	1.04	2.8	NEW	6 mos.	06-86	402.6	- 29.1	20.5	6.8	.73	4.3	726.8	23.4	35.2	6.0	1.26	3.3
Thos Inds ..... N	21.50	- .13	- .6	22.00	20.88	26.75	16.19	670	.74	.47	57.4	11.6	.68b	3.2	NEW	6 mos.	06-86	77.1	- 2.3	4.3	10.3	.47	4.4	147.9	- 3.2	7.5	5.6	.83	5.1
USG Corp ..... N	36.63	- 1.00	- 2.7	37.25	33.50	42.75	18.31	15,581	2.40	1.20	100.0	10.4	.96	2.6	.....	3 mos.	03-86	622.1	5.7	51.7	21.6	.81	26.6	622.1	5.7	51.7	21.6	.81	26.6
Walter, Jim ..... N	46.38	3.38	7.8	47.75	40.38	48.00	26.00	22,907	7.90	1.97	301.0	17.4	1.40	3.0	.....	9 mos.	05-86	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind ..... M	15.00	.38	2.6	15.00	14.75	17.13	10.00	2,926	9.33	1.85	404.3	18.5	.08	.5	.....	9 mos.	03-86	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser ..... N	31.88	- 1.88	- 5.6	33.88	30.50	40.25	24.75	18,283	1.41	.91	54.9	22.9	1.30	4.1	.....	3 mos.	03-86	1306.7	2.4	50.0	30.9	.31	29.2	1306.7	2.4	50.0	30.9	.31	29.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Home center dealers face hidden cost of accidents

(Continued from page 1)
other findings, are contained in a new report which attempts to quantify some of the safety issues facing the home center industry by analyzing compensation loss run statistics among home improvement retailers. It also looked at insurance premium costs.

Commissioned by *National Home Center News* and completed this spring by Lebhar-Friedman Research, the study is based on an extensive survey of a cross section of home center and building material retailers, totaling 44 firms.

By far, the most frequent injury incurred by employees while on the job resulted over the past two years from lifting objects.

Just about every home center company last year reported having at least one accident related to lifting. On average, injuries from lifting accounted for more than a quarter of all accidents at each home center operation last year, and the year before.

Lifting also resulted in the largest number of work days lost. More than one-third of all days lost last year because of accidents on the job were the result of lifting. Lifting similarly accounted for more than one-third of all reimbursements resulting from accidents, the study found.

Falls are most costly

Nearly three out of four companies also report having had accidents occur that resulted from sharp objects, which resulted in 14% of all reported accidents last year. A similarly large number of companies reported incidents where a worker suffered from a foreign particle lodged in the eye, which accounted for about 8% of accidents last year. In both cases, incidents were down somewhat last year as a percent of total accidents.

The greatest numbers of lost work days per accident, though, probably result from falls and from accidents where a person is caught in or under an object, the study found.

While 4.3% of all accidents resulted from a fall from an elevation last year, such falls accounted for about 7% of the work days lost. Fully three out of five retailers reported having such an accident last year. That was up from 52% of retailers reporting such accidents for 1984.

"The industry as a whole has a real safety problem," commented Patrick Mattingly, director-loss prevention, of San Antonio-based Builders Square, after previewing the results of the study. "It's a 'heads-up' kind of problem we're facing here" at Builders Square and industrywide, he said.

Mattingly found the accident data corresponded to Builders Square's experience, with accidents from lifting and from being struck by sharp objects being the two most frequent kinds of occurrences he encounters from his field reports. In response, Mattingly has introduced a new education campaign this year aimed at teaching employees how to lift objects correctly. He said he also had just ordered $12,000 worth of new safety box cutters, of the likes manufactured by Adco and Pacific Handy Cutters, which automatically retract the cutting blade when hand pressure is released.

Insurance costs up unevenly

Other retailers declined to comment on the report, or the dimension of employee accident rates, until they had had more time to compare the report with their own company's numbers. Their reluctance, however, is a partial reflection of the lack of information and industry attention devoted to safety matters in the home center industry to date.

The new study also polled retailers about theirinsurance premiums. It found that premiums, as a percent of annual operating revenues, tended to run highest among medium-sized home center retailers.

Retailers with annual sales of between $10 million to $26 million paid an average of $13,600 in premiums per $1 million in revenues last year, up from $11,400 in 1984. Although average insurance premiums were proportionally smaller among retailers with sales of under $10 million, they had virtually doubled over the same period.

Too few companies had established 1986 premiums at the time of the survey to report an estimate of how much rates had increased this year.

Compensation costs

Size of company (# of employees)	Mean cost per $100 payroll	
	1984	1985
100 or less	$3.55	$4.06
100-499	2.65	3.26
500 or more	1.59	2.10
Size of store (Avg. selling area: sq. ft.)	**Mean cost per $100 payroll**	
	1984	1985
Under 25,000	$2.24	$2.73
25,000-60,000	2.95	3.41
60,000 or more	4.91	5.42

Source: *National Home Center News* research

Compensation costs per $100 in payroll rose significantly for home center operators last year, especially for firms with fewer employees.

Annual insurance premiums

Home center annual operating revenues ($ millions)	Mean premium paid per $1 million in revenues	
	1984	1985
Under $10.0	$ 1,000	$ 3,100
$10.0-$25.9	11,400	13,600
$26.0-$49.9	13,500	11,300
$50.0 or more	8,800	9,100

Source: *National Home Center News* research

Insurance premiums as a percent of annual operating revenues tended to run highest among medium-sized home center retailers, according to a new NHCN *study.*

At least one retailer indicated that the 1985 figures probably don't reflect the large increases most of the industry had to swallow, because they weren't accounted for until late in the year.

In addition, the report found that 40% of companies said they had no consumer accidents last year. Another 40% reported 15 or fewer consumer accidents.

For information on how to obtain the 86-page study, entitled "Worker's compensation loss run survey," write *National Home Center News*, 425 Park Ave., New York, N.Y. 10022, or call 212-371-9400. The price of the study is $185.00.

O'Malley Lumber begins retrofit of all units in chain

(Continued from page 1)
10 years at Wickes Lumber.

The retrofitting will consist of laying the store out so the power aisle goes right through the middle of the store to a more-extensive customer service booth that would be adjacent to the store manager's office in the back of the unit.

On one side of the aisle, 4-ft. gondolas will be replaced with 3-tier, 8-ft.-high warehouse racking for the display of building materials. "The O'Malley's units have not been taking advantage of the 'cube,'" explained Sanderson, who conceded that installing this new racking will be a problem in some stores with low ceilings.

The company plans to bring in more building products from each store's outdoor lumberyard to be stocked in the new racking, although it is unlikely there will be a substantial increase in the amount of commodities inventory the retrofitted stores carry. "We're just trying to make our presence in this category dominant," said Sanderson.

The other side of the store will have 6-ft.-high gondolas displaying hardlines replacing existing 4-ft.-high fixtures. Sanderson said that the higher gondolas and the new layout will allow the retrofitted stores to "pick up" square footage and allow them to carry as much as 10% more hardlines inventory.

The stores will go through a number of other changes. Some of the units currently have what Sanderson said were "confusing" storefronts. So the retrofitted units will all have standardized entrance and exit doors, with a right entrance and left exit.

New paint job, signage

In the past, O'Malley's would color code each of its departments by painting the walls of its store a different color. The remodeled stores will have off-white walls.

The company is working with a local architect, Burt Notch, to come up with new interior signage that Sanderson said would be "not too flashy" but would emphasize the store's service, product quality and "value."

A courtesy counter will be installed in the front of each store to handle product returns and customer questions more efficiently.

And outside, each unit's lumberyard will be reconfigured, with some stores getting a drive-thru yard, others a drive-in, and still others, better access from inside the store. (Sanderson said it has not been determined which units will get what kind of yard.)

Survey spurs changes

The impetus behind O'Malley's remodeling efforts appears to be twofold. For one thing, the company has recently been injected with some new managerial blood, including Sanderson and Richard Passaglia, who also came from Grace West. "The company had some remodeling plans on the drawing board, but I think we've helped to spur them along," said Sanderson.

Secondly, he noted that O'Malley's management was stung by recently published reports in this newspaper on the Phoenix market, which showed the chain's image with consumers lagging far behind Payless Cashways and The Home Depot in the market. In fact, O'Malley's received a score of 7 or better (on a scale of 1 to 9) in only 3 of 15 categories: its stores' lighting; the "completeness" of its units; and the ability of customers to find what they want (*NHCN*, July 14).

"It's obvious that consumers didn't feel we had the breadth and selection they want," said Sanderson. "And it is our belief that this perception is due more to loose and undirected merchandising than a lack of items in the store.

"What we're trying to accomplish is to give our stores a clean, impressive look," he continued.

In terms of cost, Sanderson indicated that some stores require considerably more work than others. For instance, the Indian School Road unit will be completely gutted, while the Mesa store, which is only five or six years old, will get new risers on its gondolas, a new paint job and not much more.

Thornton expected to lead expansion at Goodbuys

(Continued from page 1)
"Tom's experience will help in that regard."

Erlbaum said that he would prefer Mr. Goodbuys' growth to be concentrated in the Northeast, but he wouldn't rule out expansion into other parts of the country. He added that acquisitions might include a department store chain. Mr. Goodbuys is partly owned by Vendex International, the U.S. subsidiary of Vroom & Dreesman, an international retail conglomerate based in The Netherlands.

Mr. Goodbuys currently operates 100,000-sq.-ft. outlets in Philadelphia, Baltimore and northern New Jersey. The stores are noted for their innovative use of merchandising displays, stylish ambience and an uncommon product profile including beds and linens. Previously announced expansion plans include five stores on Long Island; between four and seven in the Washington, D.C., area; two in Virginia; and two in Maryland.

Thornton's background includes a three-year stint as an assistant to W.R. Grace chairman J. Peter Grace; acquisitions vice president for the New York-based corporation's restaurant group; a similar post with Grace's home center division; and vp/chief financial officer of the home center group.

Three years ago, he moved to San Jose, Calif., to become executive vp of the then-18-store Orchard Supply Hardware. He became Orchard's president and ceo last September. Earlier this year, he attempted to pursue a management-led leveraged buyout before Grace sold the 21-store, $153 million Orchard and its other West Coast home centers to Wickes Cos.

"The timing was ideal," said Erlbaum, referring to Thornton's unexpected availability. It had been thought by many observers that Thornton would remain at Orchard or take a more prominent role in the management of Wickes' expanded home center division. Erlbaum noted that for the past year, Mr. Goodbuys had been looking for someone to add to its top executive ranks but was "not really satisfied with any of the candidates" until Thornton accepted the post.

Thornton, whose last day at Orchard was July 25, said of his move back to the East Coast: "It was not to go back East, but that it was back East was not a negative." As an additional reason for leaving, Thornton noted, "I was at a time in my career when I was looking for an equity position."

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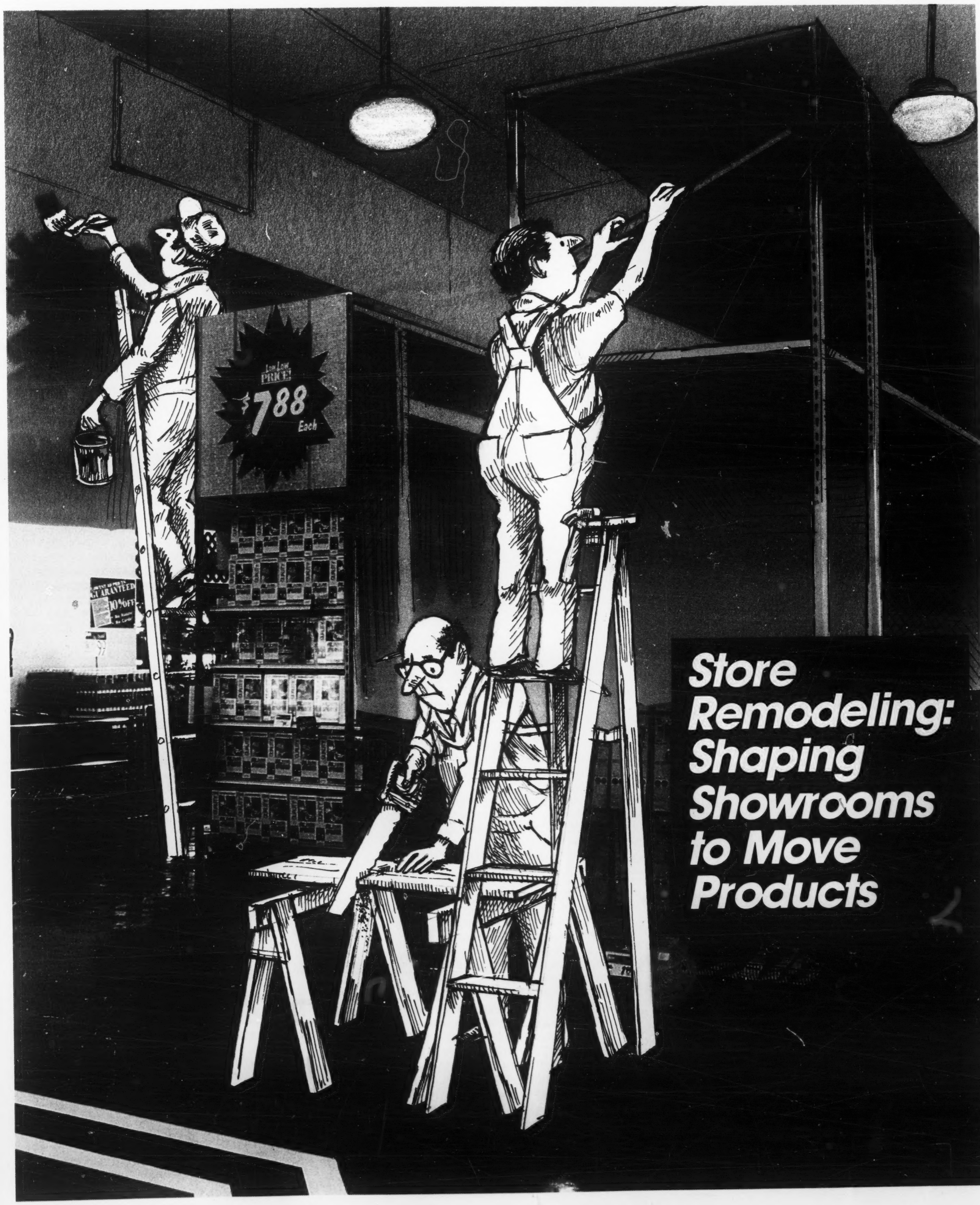

Store Remodeling: Shaping Showrooms to Move Products

INDUSTRY UPDATE

Gem Lumber yard burns down

BROOKLYN, N.Y. — A Gem Lumber Company yard here burnt to the ground earlier this month after a three hour fire broke out shortly after 2 a.m. on Aug. 5. According to a report by the Associated Press, fire officials had not determined the cause of the blaze at the lumberyard, which is located in the Crown Heights section of Brooklyn. No injuries or evacuations were reported, but fire officials said the business was gutted by the fire.

Home Depot hires new exec vp

ATLANTA — The Home Depot has hired a new executive vice president to fill a position that had been vacant since the departure of Pat Farrah about a year ago.

William Kelly, former president and ceo of American Home Video, a subsidiary of the Jack Eckert Corp., assumed his new position at Home Depot on Aug. 18.

He will have responsibility for merchandising and marketing and will report to Arthur Blank, president.

Andersens to debut General Store

MAUMEE, Ohio — The Andersons Co. will open a 135,000—sq.—ft. home center—grocery store in Columbus, Ohio, August 28, its first venture in that market. The Andersons General Store features a 50,000—sq.—ft. home center and a 50,000 sq. ft. lawn and garden center outside, with a grocery store, wine shop, a bank and several concessions inside. The Andersons operate hypermarkets in Toledo and Maumee, but their primary business is worldwide grain export. According to a spokesman, grain sales and agricultural products production accounted for $499 million of the firm's $567 million in 1985 sales. The spokesman said retail sales from the hypermarkets has grown to $68 million last year from $41 million in 1983.

Rickel opens pre-engineered unit

SOUTH PLAINFIELD, N.J. — Rickel Home Centers was set to open the industry's first pre-engineered, preassembled home center store on Aug. 27, in Johnson City, N.Y.

Rickel executives, said the pre-fabricated store costs less to construct and is more energy efficient than a built-to-suit unit. Officials said the store enjoyed an 18-week construction period vs. at least six months to construct a typical ground-up unit.

This month, the company also announced it signed a lease for a store in Newington, Conn., and started contruction on another store in Manchester, Conn.

Both units will be laid out according to the company's latest prototype.

Cyclops to vote on divestiture

PITTSBURGH — Cyclops, the $1.4 billion parent company of Busy Beaver Building Centers, has slated an Aug. 28 shareholders meeting to vote on the divestiture of its steel division. The split would leave Busy Beaver and Silo, an appliance retailer, as a separate publicy-owned company.

In its proxy ,Cyclops reported the retail division had earnings of $13.2 million on sales of $510 million.

Home center stocks hit slump

NEW YORK — Home center stocks went into the dog house as the dog days of summer put the heat on Wall Street.

Only seven of 55 home center and vendor stocks went up in the two week period that ended Aug. 8. Owens-Corning Fiberglas, which gained some unwanted attention from Wickes Cos. earlier this month, rose by 40.5% to $76.75.

In the face of disappointing earnings reports, Zayre Corp. declined 23% to $28. Service Merchandise went down 14.5% to $8.88

Much of the other declines seem to indicate profit taking as a result of the market's recent run up. Pay 'N Pak fell 8.3% to $13.75.

Payless Cashways fell 8.2% to $19.50.

Home Depot fell 5.5% to $17.13.

(See financial table, page 94)

7 Gainers

Unchanged 3

Losers 45

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.).

P. F. O'Connor refurbishes four Brewster units as image booster

By an NHCN staff editor

BRAINTREE, Mass.— When P.F. O'Connor bought Brewsters, the Providence, R.I.-based company, last April, he faced a challenge to bring the four units into the 1980's and make them more sensitive to consumer needs.

The company had already established an identity for its five P.F. O'Connor units in New England and its single Florida unit, which operates under the name Century Lumber in Vero Beach.

All are run as basic lumberyards with a narrow product mix of paneling, lumber and building materials. But the consumer-oriented Brewster stores were struggling with an image problem, as the store security dominated merchandise displays and lay-out.

"The company has been in limbo over the last two years," said Patrick O'Connor, president of the 10-unit chain. "We intend to refurbish all units."

One shopper who came to the Brewsters unit in Wilmington, Mass., recently had to take a number and wait 35 minutes before having her question answered by an employee. The store was run like a contractor sales desk with all employees stationed behind the one service and check-out counter, which faced the front entrance.

The store also had 2-ft. signs above the service desk with negative messages:

"Ten percent handling charge on all returns. Customers must have original cash ticket.

No picking over lumber. It must be taken off the pile. We are not responsible for damage or shortage once the materials have left this yard. No checks."

These are now being dismantled and, in future, there will be a "Welcome to Brewsters" sign instead. O'Connor will add an express check-out counter and is currently hiring additional employees.

"We want to rid ourselves of some of the negative feedback and make the stores more appealing to the consumer," said O'Connor. There is a joint team of P.F. O'Connor and Brewsters people currently working to "resurrect" the Brewsters stores.

Bath displays and shower vignettes, now surrounded by 3-ft.-high iron fences and bolted to the floor, will be replaced by new merchandising displays. Customers will be able to serve themselves from merchandise racks. Small items are available only on request from the service counter.

Buying for the Brewsters stores is done from the Providence, R.I., store but is overseen by Mike Rymsha, head buyer for both operations based at P.F. O'Connor's. The executive management which meets bi-monthly at Braintree headed by O'Connor's long-term associate Austin O' Brien, executive vp, is currently reviewing Brewsters merchandising mix.

The company has just introduced a new logo to provide corporate continuity between the 10 stores. It is also installing a new computer system and controlling all advertising from Braintree.

To encourage the consumer who represents about 50% of Brewster's total sales, O'Connor has stepped up its advertising circulars from once to twice a month. It is also introducing a new catalog which lists over 40 items on sale.

The Brewster stores in Wilmington, Mass., north of Boston, and the Milford and Hartford, Conn., units are well located for consumer trade, within two miles of interstate 93 and the interstate 91, and have large parking lots.

Fish Building Supplies remodels Wis. unit in response to growing market

By an NHCN staff editor

WINONA, Minn. — Fish Building Supplies, the subsidiary of United Building Centers based here, recently remodeled its Middleton store to take advantage of the growing Madison, Wis., metropolitan market.

The remodeling was a response to special market conditions and UBC has no current plans to remodel any of the other remaining units according to Daryl Nagel, president.

The Middleton unit is the chain's highest volume store. It taps the professional population which works in the area's hospitals, state offices and at the University of Wisconsin.

With only 20,000 sq. ft., the store was unable to stock and merchandise products for this growing consumer population. But with the addition of a further 15,000 sq. ft. the Middleton store could expanded its departments and deepen its product mix. Officials upgraded the store's kitchen and bath department, relocated the lighting department to the main floor, brought in lumber and building materials to expand consumer business and built a millwork house inside the store.

Fish Building Supply upgraded its plumbing lines and now carries a full line of Kohler products. The store is now able to display six different bath vignettes and an expanded offering of vanities and medicine cabinets.

"Kitchen and bath remodeling is a once in a lifetime project. The more we can show it the easier it is to make the sales,"said Nagel.

The lighting department has relocated from upstairs on the mezzanine to the main floor. Lighting is now merchandised in 12-ft. high racks, and forms a complete wall stretching along a 120-ft. expanse.

(Continued on page 10)

Menards hits obstacles during Knox acquisition

By an NHCN staff editor

EAU CLAIRE, Wisc. — An attempt by Menards Cashways to acquire Knox Lumber Co. stores in Fargo, N.D.; Sioux Falls, S.D.; and Duluth, Minn., has hit a snag.

"It's no secret we've been negotiating," said John Menard, president of Menard, Inc., on August 6. "It's been going pretty slow and I guess we'll just keep going."

"There's always another obstacle," said Menard. When asked what slowed the negotiations with Knox, Menard said "price."

According to retailers, the proposed deal between Knox, St. Paul, Minn., and Menards Cashways, Eau Claire, Wisc., is a package for the three stores.

Dick Miller, president of Knox, declined comment on negotiations with Menards.

All three Knox locations were closed for inventory on three or four days in the last week of July, according to home center retailers in the three locations.

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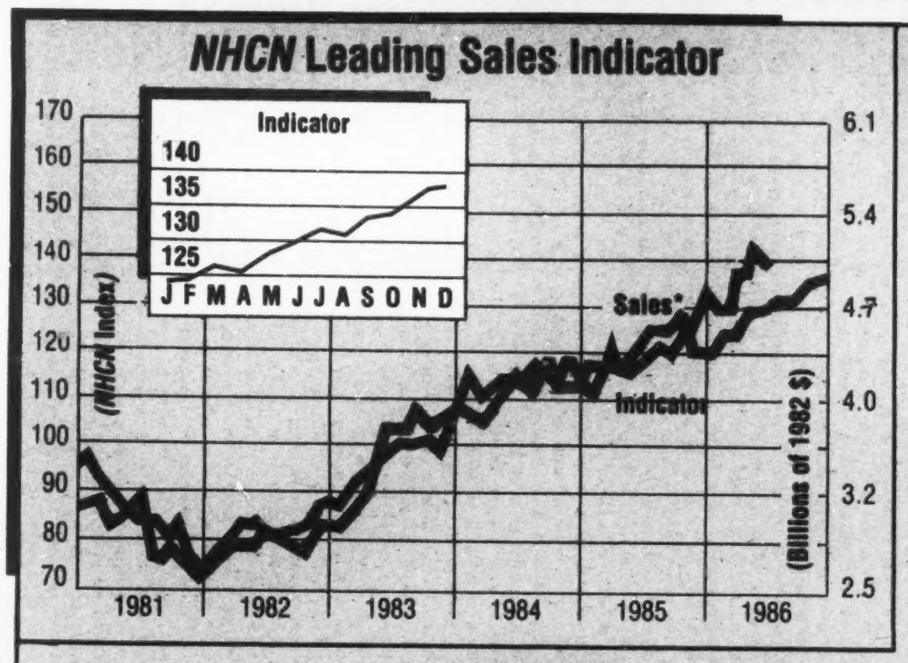


*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales in the near term. Resales were down in the first quarter and will weaken building material demand. By year end, sales will begin to increase from the lagged effect of the recovery in existing home sales in the spring and lower interest rates.

Building material sales remain strong as economy slows down

By Richard E. Mount
Special to NHCN

Merrill Lynch Economics has reduced its economic forecast for the second half of 1986. The long-awaited second half rebound is unlikely to materialize. Instead, the economy is likely to move sideways for the rest of this year. The slowdown this year will be a plus for the economy in 1987. A rebound will develop next year and interest rates will be lower.

The outlook for building material sales has been trimmed to a 13% gain this year from the previous forecast of 15%. For 1987, building material sales will rise 10%, up from 8% in our previous forecast.

Richard E. Mount

Economic concerns

Consumer spending, which increased at a 4.5% rate in the first half, will be weaker in the second half of 1986. Household finances will be strained by high debt levels and sluggish income growth.

Housing starts will weaken throughout 1987. vacancy rates in rental units are at their highest level since 1967, and apartment construction will suffer. The tax package should be passed in the fall, lowering the investment incentives of real estate.

Business investment is headed lower in the near term. Corporate cast flow is slowing, tax reform means a business-tax hike, and capacity utilization in manufacturing stands at 78%. Office buildings are overbuilt and will be hit by tax reform. Weakness in energy-related investments will spread to finance and business services.

Interest rates will fall dur-

(Continued on page 90)

Home Center Industry General Business Outlook

		1985			1986				1987			
		QII	QIII	QIV	QI	QII	QIII	QIV	QI	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		116.0	121.0	123.4	124.7	127.9	132.1	136.5	138.7	118.5	130.3	140.7
General Economic Outlook												
	GNP $1982 Billion	3,567.6	3,603.8	3,622.3	3,655.9	3,665.7	3,680.5	3,678.3	3,690.3	3,585.2	3,670.1	3,726.9
	Real Disposable Income $1982 Bil.	2,550.8	2,524.7	2,540.7	2,581.2	2,626.6	2,634.5	2,633.9	2,657.3	2,528.0	2,619.1	2,674.7
	Housing Permits (000 SAAR)	1,731	1,762	1,741	1,834	1,806	1,750	1,650	1,550	1,739	1,767	1,621
	Housing Starts (000 SAAR)	1,743	1,688	1,773	1,988	1,908	1,850	1,750	1,650	1,742	1,874	1,709
	New Home Sales (000 SAAR)	681	711	696	789	789	790	750	725	686	780	731
	Resales (000 SAAR)	3,043	3,360	3,500	3,257	3,476	3,475	3,400	3,450	3,216	3,402	3,475
	Prime Rate %	10.2	9.5	9.5	9.4	8.6	8.1	7.5	7.3	9.9	8.4	6.8
	Mortgage Rate % (HUD)	12.9	12.1	11.8	10.8	10.3	10.0	9.5	9.3	12.5	10.2	9.0
	Consumer Price Index (1967 = 100)	321.1	323.0	326.5	327.7	326.3	328.2	330.6	331.1	322.1	328.2	337.3
	Producer Price Index (1967 = 100)	293.8	293.1	296.4	292.0	288.0	288.7	289.6	292.1	293.9	289.6	296.2
	New Housing Affordability 1980-100)	114.0	120.7	120.5	128.6	127.1	128.9	132.2	133.4	117.6	129.2	134.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	70,400	77,800	90,600	84,963	87,508	90,543	92,903	94,567	80,267	88,980	97,902
	Maintenance and Repair	32,400	33,200	39,800	37,586	38,675	39,781	40,907	41,683	35,358	39,237	42,855
	Additions and Alterations	25,600	29,800	30,400	29,910	30,833	31,861	32,543	32,869	28,775	31,287	34,303
	Major Replacements	12,400	14,700	20,400	17,470	18,001	18,901	19,453	20,015	16,134	18,456	20,742
Constant												
	Maintenance and Repair	18,858	19,385	22,780	21,300	21,700	22,100	22,500	22,700	20,719	21,900	22,988
	Additions and Alterations	14,900	17,400	17,400	16,950	17,300	17,700	17,900	17,900	16,775	17,463	18,400
	Major Replacements	7,217	8,583	11,676	9,900	10,100	10,500	10,700	10,900	9,491	10,300	11,125
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,369,400	1,399,296	1,388,316	1,404,932	1,419,720	1,441,117	1,472,960	1,495,392	1,373,941	1,434,682	1,530,632
	Total Minus Automobile	1,055,360	1,066,248	10,822,244	1,095,360	1,097,860	1,108,134	1,135,389	1,154,366	1,061,148	1,109,186	1,184,048
	Building Material, Hardware, Garden Supply, Mobile Home	73,280	74,328	78,024	83,904	85,436	83,983	85,265	87,891	74,062	84,647	89,787
	Building Material and Supply	53,512	53,736	56,976	61,180	63,380	59,699	55,961	61,496	53,841	60,055	65,833
	Hardware	10,912	11,116	11,572	11,416	11,220	11,851	12,023	12,348	11,092	11,627	12,617
Constant	**Total Millions $1982 SAAR**	1,279,412	1,307,324	1,286,256	1,303,725	1,329,325	1,336,000	1,352,000	1,359,000	1,282,071	1,330,263	1,370,250
	Total Minus Automobile	993,124	1,003,052	1,007,676	1,024,780	1,038,660	1,038,000	1,053,000	1,060,000	996,515	1,038,610	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	69,827	70,833	73,628	78,792	78,910	76,800	77,200	78,790	70,244	77,901	79,290
	Building Material and Supply	50,990	51,209	53,765	57,369	60,560	56,200	51,800	56,360	51,055	56,482	59,410
	Hardware	10,398	10,593	10,922	10,707	10,710	11,200	11,250	11,440	10,512	10,967	11,515
	Building Materials % of Total Less Automobile ($Current)	5.07	5.04	5.26	5.59	5.77	5.39	4.93	5.33	5.07	5.41	5.56

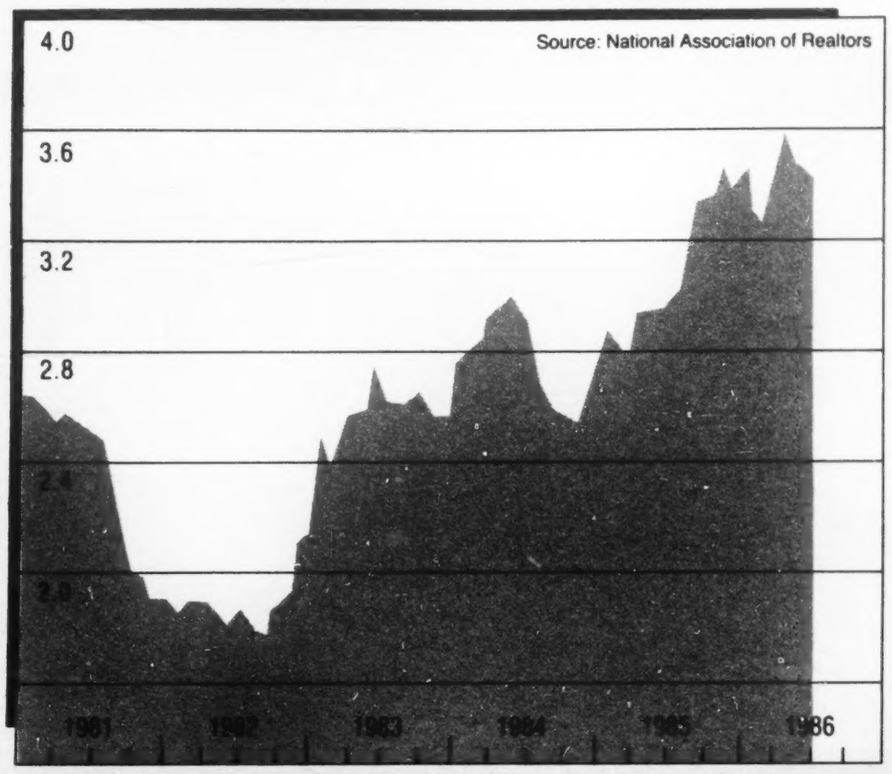
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
July 30, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

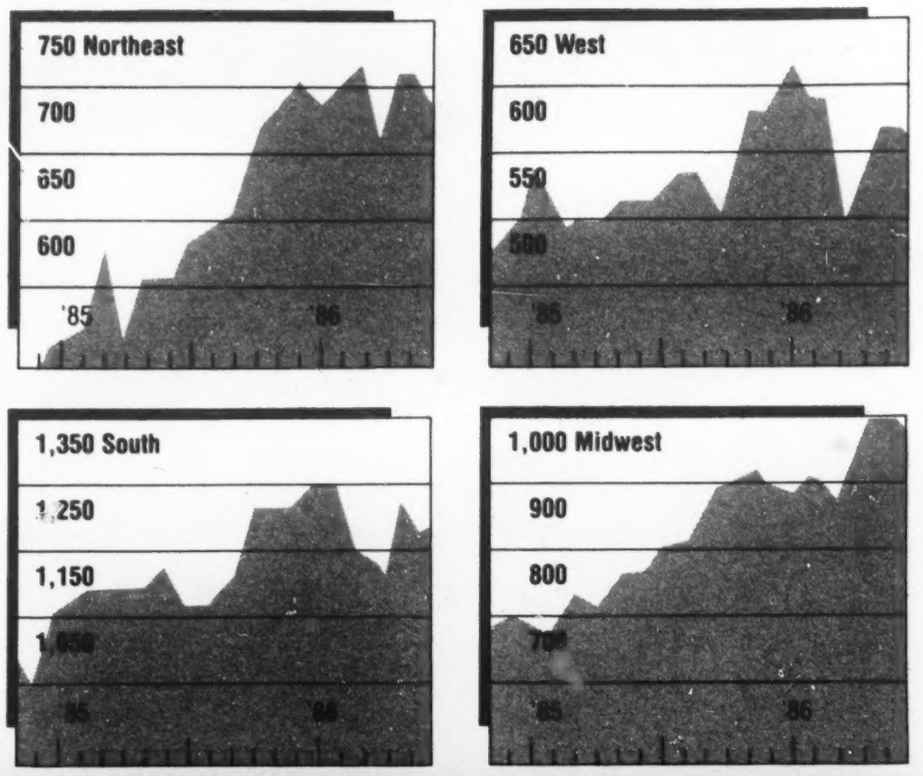
SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

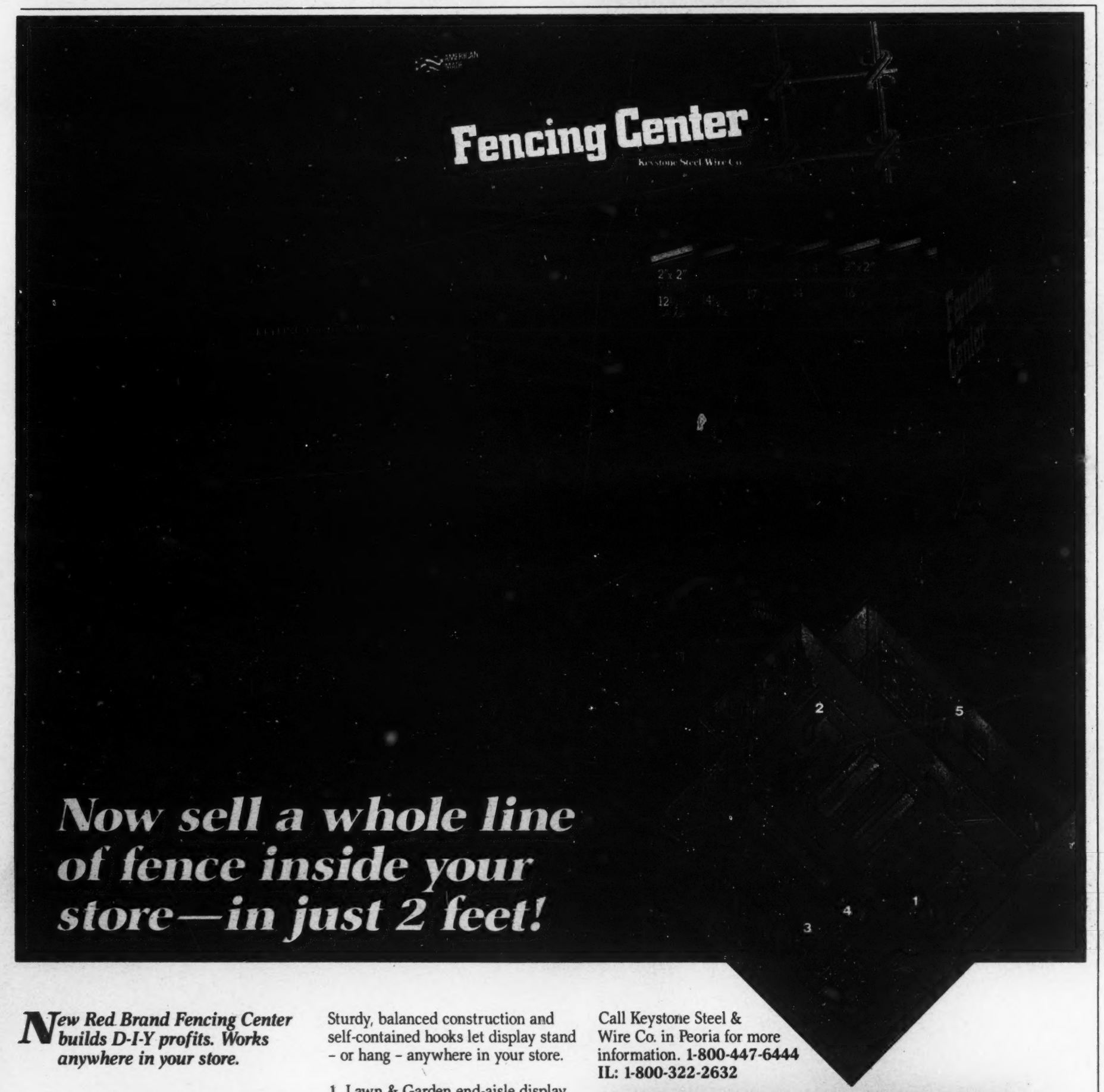
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)





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Home resale activity drops 1.2% in June

By an NHCN staff editor

NATIONAL REPORT — Rising mortgage rates are blamed for the small drop in resale home activity in June, the National Association of Realtors (NAR) reported. Activity fell 1.2% to a seasonally adjusted annual rate of 3.41 million units.

Home prices also lost ground in June, down 1%, or $900, to $82,300, but remained 7.6% ahead of the $76,500 median-price of one year ago.

Even with the monthly declines, the June sales pace was 11.1% ahead of the rate set in June 1985, the association noted. And for the first six months of the year, resale home activity was 12.5% above the same level in 1985.

Economists with the NAR are projecting that the downward sales spiral will end soon. They are projecting that mortgage interest rates will resume their downward path in the following months, sparking new sales.

Because of this, NAR analysts are predicting that the annual resale rate should be about 3.6 million units in the third quarter and 3.7 million units in the fourth quarter.

Home prices also should be strong this year, increasing by about 8% in 1986 followed by a 5% gain in 1987, compared to the 4.3% jump in 1985.

Median sales price
(in thousands of dollars)

	June[p]	May[r]	April	Mar.
U.S.	82.3	83.2	80.2	79.8
Northeast	109.3	104.9	105.1	102.4
South	80.0	82.9	78.4	79.5
Midwest	65.4	64.6	66.2	64.4
West	101.5	104.7	96.6	97.1

[p]-preliminary [r]-revised

But for June, resales were fairly flat and home prices were mixed. Only the South recorded a sales increase and it was less than 1%, to a seasonally adjusted 1.19 million units.

Activity was down the most in the Northeast in June, by 4.4% to 680,000 units seasonally adjusted, but still 13.3% ahead of last year. Sales were off in the Midwest by 2%, to 970,000 units, but were 15.5% ahead of June 1985. And sales were off by 1.8% in the West, to an annualized 560,000 units, 3.7% above June 1985.

Despite the monthly decline in the price of a median-priced resale home in the U.S., activity was mixed among the regions. In all respects, however, home prices are up over last year.

In June, home prices of previously occupied homes in the Northeast rose 4.2%, to $109,300, a 22.3% increase over the same month last year. Houses were also more expensive in the Midwest, up 1.2% or $800 to $65,400, a 7.6% increase over June 1985.

Housing was cheaper in the South and West in June, however. The median-priced resale home in the South cost 3.6%, or $2,900, less in June than in May, to $80,000, a 4.6% increase over the June 1985 price of $76,500.

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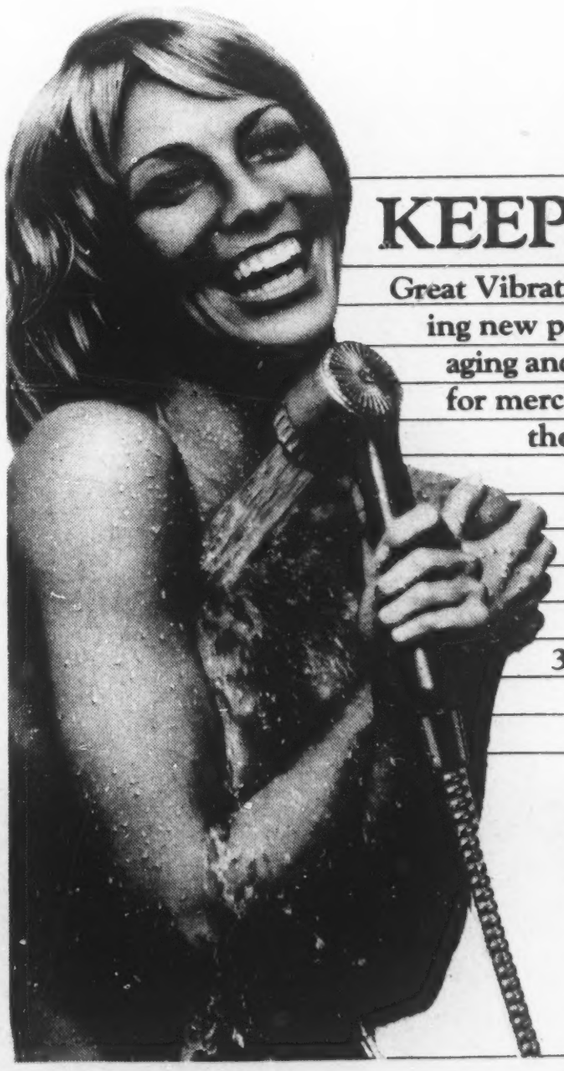
Potlatch

For more information call: Dick Hedrick or Robert Bramlet (501) 673-1606



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Great Vibrations. First with exciting new products, sturdy packaging and profitable programs for merchandisers who know they have to stay ahead of the pack. To get in on the action call us toll-free at 800-423-9485, in California call 818-369-1841 collect. Ask for THE SHOWER PROGRAM.

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LUMBER REPORT

Informal U.S./Canadian talks target shingle tariff change

By Hawk Furman
Special to NHCN

Informal talks between Canadian and U.S. trade representatives could lead to a change in the current 35% duty on western red cedar shingles and shakes coming into the United States from Canada.

The trade negotiators can structure an orderly marketing agreement which could reduce the duty or change other parameters of the agreement. Changes may be made with he approval of the U.S. trade representative and there is a chance an orderly marketing agreement could be reached on lumber before the International Trade Administration (ITA) reaches its decision on October 9, 1986 on whether or not to levy a duty on Canadian lumber.

> "The trade negotiators can structure an orderly marketing agreement which could reduce the duty or change other parameters of the agreement."
> —Hawk Furman

New trade representative

Canada made a significant change in cabinet responsibility by appointing Pat Carney as Minister of International Trade.

She replaces the Honorable J. Kelleher. Carney has a reputation for being a smart and "tough negotiator." Her previous experience was as Minister of Energy.

Carney wants to avoid a trade war and well she should with 78% of all Canadian exports currently going to the U.S. She also wants fair trade on forest products and she will work to accomplish this.

There is some increasing support in congress and among some U.S. lumber producers for moderation on the lumber duty. Many U.S. legislators were surprised by the strong adverse reactions of their constituents and the Canadians on the shake and shingle tariff.

The United States did $116 billion in trade with Canada in 1985. Lumber imports from Canada accounted for $2.8 billion. Twenty percent of all U.S. imports come from Canada. The U.S. exports more goods to Canada than it does to all ten countries in the European Economic Community combined.

Mills question tariff

A group of mills in the Pacific Northwest are having second thoughts on the tariff.

The forest Products Working Group of the Pacific Northwest International Trade Association feel a tariff would ultimately be harmful to the West Coast producers.

"The negative effects outweigh the positive," said Larry Kromer, co-chairman of the Forest Products Working Group and an employee of Avison Lumber in Molalla, Ore.

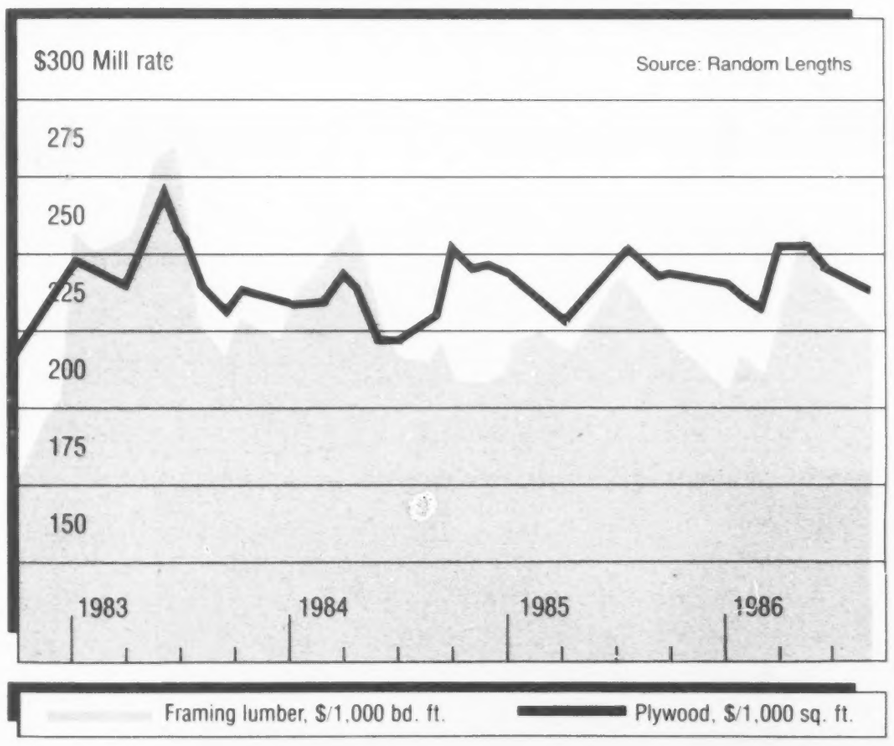
An article in *The Portland Oregonian* stated Mr. Kromer said "The proposed 27% tariff on Canadian lumber, would, indeed, temporarily reduce Canadian imports and produce higher prices for Northwest lumber." But, he added, "Higher lumber prices would then inflate stumpage costs, erasing any gains in profit margins and making the Northwest mills less not more, competitive, in domestic and world markets."

The Coalition to Stop Unfair Wood Tariffs is a lobby group in Washington whose membership includes 35 associations and over 500 companies. The growing coalition is continuing to work hard to communicate to Congress and the Administration that restrictions on Canadian wood products would cause significant damage to a variety of key U.S. industries, including home building, manufactured housing companies, lumber dealers, publishers, ports, railroads, longshoremen, stevedoring companies and others.

Neither the United States or Canada want a trade war. Bilateral free trade talks are going on right now, and to have lumber a $2.8 billion import item threaten $116 billion in trade between two friendly nations does not make sense. Therefore it would seem there is a possibility of an orderly marketing agreement on lumber being negotiated to benefit of both countries before a U.S. duty would be enacted.

Commodity close-up

Composite lumber/plywood price profile
(per thousand board feet)



Both framing lumber and plywood trading prices have dropped since the first quarter. Framing lumber dropped from $232 a thousand board feet in April to a low of $199 by the end of July. Plywood prices eroded from $225 a thousand board feet in April to $219 the end of last month.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended July 31

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Sept.	$159.80	$148.60	$156.20	$157.90	2,800	$182.40	$145.50
Nov.	$155.40	$146.90	$152.20	$154.00	1,583	$174.50	$146.00
Jan. '87	$158.30	$151.00	$156.60	$156.90	364	$175.00	$150.00
March	$162.40	$154.50	$158.90	$160.90	209	$175.50	$153.00
May	$162.60	$155.50	$159.90	$160.60	51	$174.50	$155.50
July	$163.00	$155.10	$159.90	$162.00	22	$175.50	$155.10

Total Contract Vol. (Through 7/31): 14,616 **Previous Two Weeks: 14,974**
Total Open Interest (As of 7/31): 5,039 **Previous Week: 5,259**
Cash Price: $170.52 **Previous Week: $171.50** **Year Ago: $150.92**

CME—Chicago Mercantile Exchange *Figures for Thursday, 7/31
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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NO-RUN SUPER GLUE
With M.T.S.™ Additive

There's no other Super Glue like it!

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Automotive and Consumer Group
Cleveland, Ohio 44128

Duro, Quick Gel, M.T.S. & More Thick, More Quick, More Stick are TMs of Loctite Corporation © 1986

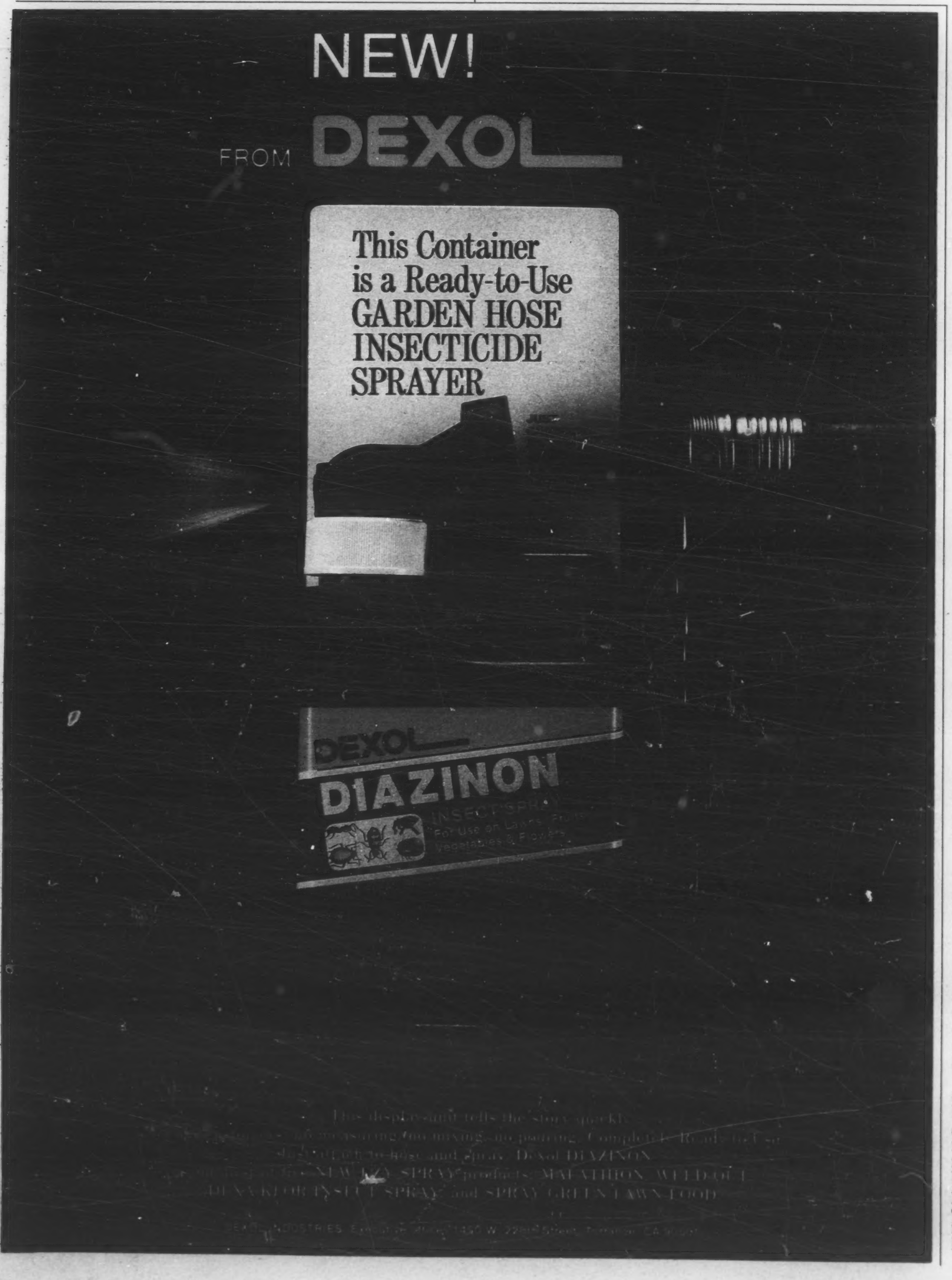
ADVERTISING & MARKETING

Retailers encouraged to develop long-range advertising programs

Readership of Weekday News
(by different consumer segments)

Consumer segment	Down market	Middle market	Up market
Younger singles	52%	59%	62%
Income classification	under $12,500	$12,500-$12,999	$30,000+
Younger couples	42%	60%	62%
Income classification	under $17,500	$17,500-$44,999	$45,000+
Younger partners	55%	64%	62%
Income classification	under $15,000	$15,000-$34,999	$35,000+
Mid-life families	73%	85%	86%
Income classification	under $20,000	$20,000-$44,999	$45,000+
Older households	70%	82%	88%
Income classification	under $8,000	$8,000-$22,499	$22,500+

Source: Management Horizons



By an NHCN staff editor

NATIONAL REPORT — Many retailers approach advertising with exclusively short-range views and goals. This has led to an abundance of reduced-price item advertising and blurred the importance of long-range advertising strategies, according to Management Horizons, the market research and management consulting firm based in Dublin, Ohio.

In order to encourage retailers to develop long-range advertising plans and target key groups of consumers, Management Horizons recently produced a report called "Advertising to Core Segments".

The first part of the report identifies the different core consumer segments of the market which the retailer may want to target.

Core consumer segments

Consumers were divided into different life-style categories based on income and status. "Younger parents" were considered "down market" if their incomes were under $15,000, in the "middle market" if incomes were between $15,000 and $34,999, and "up market' if incomes were above $35,000.

The data used to generate the report was compiled from the consumer habits of 4,046 members of the National Family Opinion Panel.

Having identified the different consumer segments the report then summarizes the most effective means of advertising to that key consumer.

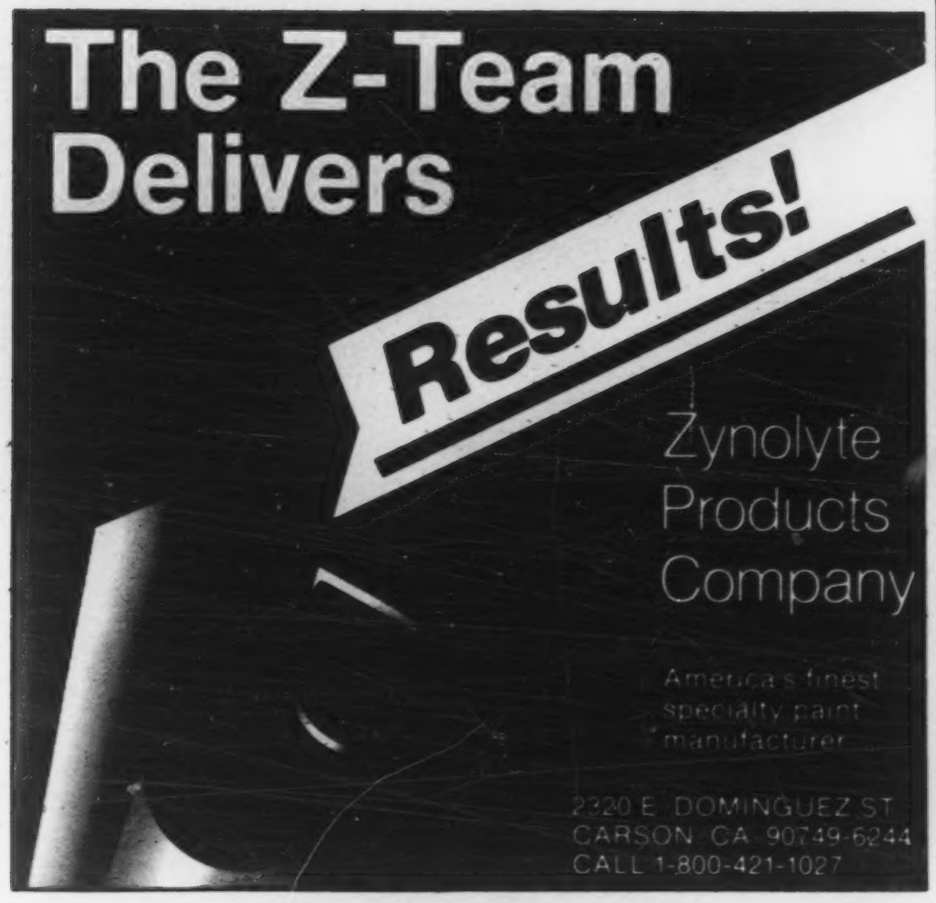
Newspapers

Although newspapers still represent about 70% of the average retailer's media budget there is a major trend away from run-of-press (ROP) advertising. Retailers are turning instead to preprinted inserts within the local newspaper, and have increased their commitment to direct mail and marriage mail services.

In general, newspapers reach a broad consumer base but the placement of ROP spots can lead to diminished readership, for certain segments are only read throughly by small percentages of the population.

●–Business section readership is the highest among up market segments.

(Continued on page 76)



ADVERTISING & MARKETING

Home Depot introduces new ad program featuring 'Catabook'

THE HOME DEPOT
SAVE BIG BUCKS
HERE'S A POCKET-SIZE BOOK PACKED FULL OF JUMBO-SIZE BARGAINS!
PRICES GUARANTEED THROUGH AUG. 26

Home Depot's 'Catabook' highlights certain products with special sale price.

By an NHCN staff editor

ATLANTA — The Home Depot departed from its normal flexi advertising circular in mid-July by introducing the "Catabook."

Its small size, 4-in. x 7-in., compared with the 7-in. x 10-in. flexi, makes it easy to fit into the pocket. The theme of the catabook is "Save Big Bucks," and the cover features cartoon character Homer pushing a wheelbarrow full of dollars.

Highlights sale products

On some pages only one item is featured. In this way the catabook highlights certain products with special sale prices. For example, the single item Glidden Spred Satin paint is advertised on one page for $7.47 a gallon. Similarly, American Woodmark cabinets take up a whole page advertising 60% off list price. Because of this format, the 97-page book features fewer items than the regular flexi.

"If we devoted a whole page of our larger flexis to a single product it would be overkill," said Steve Burrows, director of advertising at The Home Depot.

The cartoon character Homer pops in and out of the catabook adding humor and emphasis to certain items.

The printing costs of the Catabook are comparable to a large flexi, according to Burrows. Next month Home Depot will be returning to the old format but will continue to introduce the catabook at intervals to provide variety.

Retailers encouraged to target key groups

(Continued from page 74)

- Sports section readership is highest among older households
- Ad inserts are used most by down market segments, mid-life-families and older households in the middle market and younger parents in all markets.

Television

From the consumer's viewpoint TV represents the preferred source for new product information and for the general surveillance of products and services.

Certain types of programs are viewed more often by certain population segments. The report found that:

- TV news reached 4 out of 5 consumers daily and especially older consumers.
- Soap operas are viewed especially by down market segments and unemployed consumers.
- TV movies are popular especially among younger segments.
- TV sports are viewed especially by mid-life families and older households in the middle market.
- Comedies and dramas have a broad-based appeal.

Radio

Although consumers listen to a great deal of radio, the vast number of station choices in major markets often created difficulties in determining which radio formats reach the core customer base. The most popular formats include:

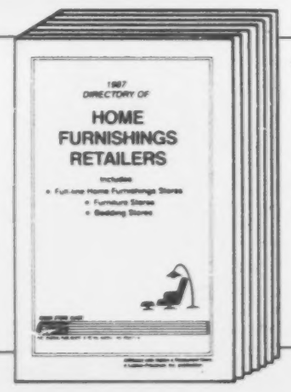
- News radio targeted to mid-life families and older households.
- Adult contemporary (younger middle and up market segments)
- Top 40 (younger segments).
- Country/Western (younger parents and mid-life families in the down market).
- Golden Oldies (younger parents, mid-life families in down and middle markets).

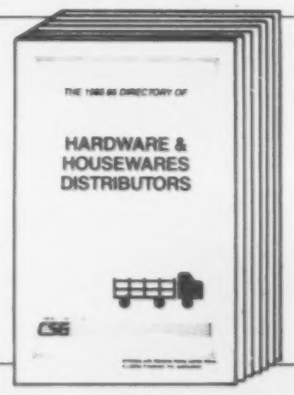
YOU CAN'T DO BUSINESS IN THE DARK!

CREATE NEW MARKETS
For Your Products & Services with CSG's
1986 Market Directories!

- *Identify all the retail chains and distributors in the country and locate prime prospects and potential distributors you're not doing business with.*
- *Key-in on the top decision-makers and the lines they buy.*
- *Maximize the efficiency of your sales team and increase your bottom line by cutting out wasted sales calls.*
- *Support your sales efforts by generating in-house direct mail promotions throughout the year while targeting these mailings at specific segments of the marketplace and at key decision-makers by name.*
- *Use as a telemarketing tool for your in-house sales organization and sales support services.*

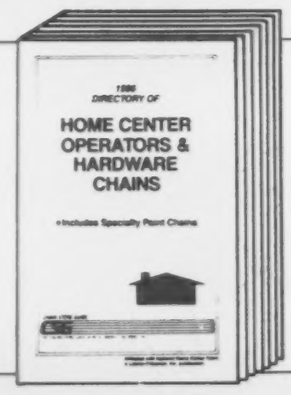
1987 HOME FURNISHINGS RETAILERS
Companion guide to home center, hardware/housewares, GM directories that contains complete selling information on 5,000 furniture and horizontal home furnishings retail companies operating 15,000 stores.





1985/86 HARDWARE & HOUSEWARES DISTRIBUTORS
Published in March, 1985
Companion guide to the home center and GM directories that provides complete company profiles on 2,750 houseware, paint & paint sundries, electrical, heating, cooling, plumbing, lumber, building supplies and lawn & garden distributors serving 6,500,000 retailer, contractor and commercial accounts.

1986 HOME CENTER OPERATORS & HARDWARE CHAINS
Published in July, 1986
Provides complete company profiles on 6,300 home centers, lumber/building material companies and hardware chains operating 18,500 units.



CSG Information Services
THE LEADING SUPPLIER OF RETAIL MARKET INFORMATION

Please send me:
☐ 1987 Directory of Home Furnishings Retailers _____ copy(ies) at $249 each.
☐ 1986 Directory of Home Center Operators _____ copy(ies) at $179 each.
☐ 1985/86 Directory of Hardware Distributors _____ copy(ies) at $149 each.

Name _____ *Title* _____
Company _____ *Phone #* _____
Address _____

Method of Payment:
☐ Check enclosed ☐ AMEX ☐ Mastercard ☐ VISA ☐ Diners
☐ Bill me (subject to credit approval)
Account No. _____ Exp. date _____
Authorized signature _____

Chain Store Guide 425 Park Ave. N.Y., N.Y. 10022 (212) 371-9400
A Subsidiary of Lebhar-Friedman, Inc.

GNP growth slowed to 1.1% in the second quarter and expansion in the second half will be weak. This follows an expansion that kept GNP above its long-term trend. Building material sales, however, will increase 13% in 1986 and 10% in 1987.

Building material sales remain strong as economy slows down

(Continued from page 16)

ing the remainder of the year in response to the weak economy. Another cut in the discount rate is expected as signs of weakness in the economy emerge. Mortgage rates will near 8.8% by the end of 1987, almost 100 basis points lower than our previous forecast.

The Federal deficit will be higher from the slowdown in the economy. The projected fiscal 1987 budget deficit will near $200 billion, almost the same as the estimated 1986 deficit, and well above the $144 billion specified by the Gramm-Rudman legislation.

Building material sales will not be significantly impacted by the softening in the economy during the second half. Our forecast of sales has been trimmed from 15% to 13% for 1986 and raised to 10% from 8% for 1987.

The strength in housing starts and existing home sales in the first half of 1986 will keep building material sales strong in the second half. The *NHCN* Leading Indicator, which incorporates these factors as well as interest rates and real consumer income, points to rising sales in the fourth quarter.

The weakness in housing will be concentrated in apartment units. Single unit starts, a far larger market for building material sales, will remain at 1.0 million units to 1.2 million units through 1987. Strength in single unit housing will keep the demand for building materials up.

Changes in the tax code will be favorable for retail sales of building materials. By reducing the marginal tax rate, the pretax cost of goods declines. Sales of goods on credit, however, will be harmed by the loss of interest deductions.

The drop in interest rates will be a plus for single-unit starts, resales and new home sales. Housing surged in the first half of 1986 when mortgage rates declined. While the decline in the second half will not be as sharp, lower rates will still be positive for building material sales.

Changed outlook

Building material sales will be lower in the fourth quarter of 1986 than in previous forecasts. The slowing economy will limit gains in consumer income, and postponable purchases will be cut back. Building material sales will not fall as rapidly as other sectors.

Sales gains in 1987 will be 10% higher than prior forecasts, The economy will be in recovery, the weakness in housing will be concentrated in multi-units, and mortgage rates lower.

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PROOF THAT LITTLE PEOPLE CAN HAVE BIG PROBLEMS.

Alcoholism Council of Greater New York
133 East 62nd Street, New York, N.Y. 10021
(212) 935-7075

"The last thing I need is another line of bath furniture." **Home Center Buyer**

It seems like someone always wants to sell you a line. How many can you carry?

What you really need is Sunny Wood. Not just another line, Sunny Wood delivers great value by blending automated production techniques with experienced craftsmanship and caring. We even match stain colors between furniture and accessories, so your customers keep coming back.

You even have a choice of fully assembled or KD, shipped from California, Tennessee or FOB factory.

Part of one of the largest private enterprises in the Far-East, Sunny Wood is a long-time supplier to brands you know well. Now Sunny Wood offers that same quality, value and experience directly to home centers.

You may not think you need another bath furniture line, but after looking at Sunny Wood, you'll think again.

SUNNY WOOD **Bright Ideas Fashioned in Wood**

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SOME PEOPLE THINK HARDWARE IS HARDWARE.

To find out why we never stop improving our hardware, call John Cooper (203) 225-5111.

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THORO'S FAMILY OF D-I-Y PRODUCTS HELP GUARANTEE PROFITS.

Thoro System Products are in big demand with D-I-Y customers because Thoro products waterproof, seal, repair, maintain and protect concrete and masonry, above or below ground, indoors or out — with concrete results.

To help guarantee profits, Thoro has increased local and national advertising on TV, radio and in print and has a complete Co-op Advertising and Promotional Program that sells Thoro products directly to your customers.

For products that sell and stay sold, it's Thoro.

THORO SYSTEM PRODUCTS, Consumer Products Division
Dept. NH8
7800 N.W. 38th Street
Miami, Florida 33166

THORO SYSTEM PRODUCTS, INC.

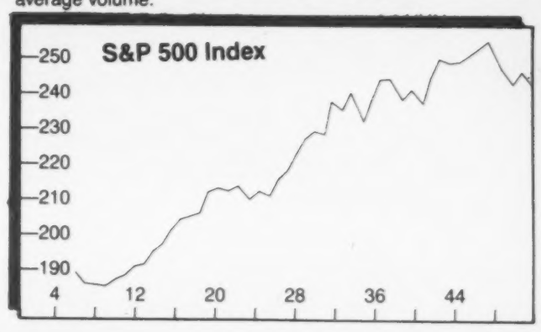
FINANCIAL NEWS

The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
8-08-86	(100)	%	%
Owens Corning ..... N	137,163	763.6	40.5
Zayre Corp ..... N	61,860	401.9	- 23.0
Insilco Corp ..... N	8,864	260.0	14.1
Allegheny Int ..... N	8,480	253.4	- .8
Hechinger B ..... M	1,774	205.3	1.1
INTERCO Inc ..... N	8,523	183.8	- 1.2
DeSoto Inc ..... N	567	183.3	.3
Certain-teed ..... N	4,472	162.2	- .9
Mor-Flo Inds ..... M	252	160.5	- 7.9
Newell Co ..... N	4,119	150.3	5.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 8-08-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Owens Corning ..... N	76.75	40.5	137,163
Insilco Corp ..... N	22.25	14.1	8,864
Newell Co ..... N	27.13	5.9	4,119
Macmillan Bloedel ..... M	26.38	1.4	258
Hechinger A ..... M	21.50	1.2	5,045
Hechinger B ..... M	22.75	1.1	1,774
DeSoto Inc ..... N	36.88	.3	567
Weyerhaeuser ..... N	31.88	.0	21,608
Natl Hardgoods ..... M	10.00	.0	129
Forest City Ent ..... A	31.00	.0	10
Losers	**$**	**%**	**(100)**
Homecrafters Whse ..... M	.38	- 25.0	462
Zayre Corp ..... N	28.00	- 23.0	61,860
Svc Merchandise ..... M	8.88	- 14.5	26,486
Emhart Corp ..... N	32.63	- 10.3	2,981
Natl Lumber ..... M	5.25	- 8.7	241
Pay N Pak ..... N	13.75	- 8.3	5,221
Pope & Talbot ..... N	18.00	- 8.3	483
Payless Cash ..... N	19.50	- 8.2	14,906
Lowe's Cos ..... N	28.50	- 8.1	10,880
Mor-Flo Inds ..... M	14.50	- 7.9	252

National Home Center News.

HOME CENTER MARKET SUMMARY

Company and Market	2-Weeks Ended 8-08-86	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Color Tile ..... M	21.25	- 1.13	- 5.0	22.50	21.13	24.63	16.88	5,235	5.54	2.92	89.7	14.2	.00	.0	.....	9 mos.	03-86
Erb Lumber ..... M	15.50	- .88	- 5.3	16.50	15.00	19.25	5.75	200	.60	1.19	- 49.6	9.0	.00	.0	.....	3 mos.	03-86
Forest City Ent ..... A	31.00	.00	.0	31.00	31.00	31.25	22.00	10	.01	.08	- 87.5	42.5	.30	1.0	.....	3 mos.	04-86
Grace W R ..... N	48.63	- 2.13	- 4.2	50.38	47.38	60.75	35.50	18,802	4.53	2.28	98.7	15.0	2.80	5.8	.....	6 mos.	06-86
Handyman ..... A	29.88	- .50	- 1.6	30.63	29.75	36.00	21.75	180	.70	.58	20.7	12.2	.20	.7	.....	3 mos.	03-86
Hechinger A ..... M	21.50	.25	1.2	21.75	21.00	23.59	12.81	5,045	4.62	2.64	75.0	NA	.16	.7	.....		00-00
Hechinger B ..... M	22.75	.25	1.1	23.00	22.50	23.59	12.81	1,774	.58	.19	205.3	28.4	.06	.3	.....	3 mos.	04-86
Homecrafters Whse ..... M	.38	- .13	- 25.0	0.75	0.25	5.50	.25	462	1.63	.81	101.2	NE	.00	.0	.....	fiscal	01-86
Home Depot ..... N	17.13	- 1.00	- 5.5	18.00	15.88	21.75	10.50	4,907	1.95	2.14	- 8.9	38.1	.00	.0	.....	3 mos.	04-86
INTERCO Inc ..... N	42.25	- .50	- 1.2	43.00	38.63	47.63	31.38	8,523	2.98	1.05	183.8	14.0	1.60	3.8	.....	3 mos.	05-86
K mart Cp ..... N	51.00	- 3.50	- 6.4	55.00	49.88	57.38	30.63	51,101	4.06	2.69	50.9	25.9	1.48	2.9	.....	3 mos.	04-86
Lowe's Cos ..... N	28.50	- 2.50	- 8.1	31.25	27.75	41.50	20.75	10,880	2.78	1.71	62.6	17.6	.40	1.4	.....	3 mos.	04-86
Mich General ..... A	2.63	- .13	- 4.5	2.88	2.25	5.63	2.25	3,759	3.31	1.58	109.5	NE	.00	.0	NEW	6 mos.	06-86
Natl Hardgoods ..... M	10.00	.00	.0	10.00	10.00	10.25	5.50	129	1.05	1.49	- 29.5	23.8	.00	.0	.....	3 mos.	04-86
Natl Lumber ..... M	5.25	- .50	- 8.7	5.75	5.25	7.00	4.00	241	.43	.66	- 34.8	NE	.00	.0	.....	*	04-86
Pay N Pak ..... N	13.75	- 1.25	- 8.3	15.00	13.00	19.38	11.63	5,221	5.22	2.98	75.2	16.4	.64	4.7	.....	3 mos.	05-86
Payless Cash ..... N	19.50	- 1.75	- 8.2	22.50	19.00	27.50	13.50	14,906	4.30	2.27	89.4	16.3	.16	.8	.....	6 mos.	05-86
Scotty's Inc ..... N	14.00	- 1.13	- 7.4	15.50	14.00	18.13	12.38	663	.46	.47	- 2.1	13.2	.52	3.7	.....	9 mos.	03-86
Sears, Roebuck ..... N	42.50	- 1.38	- 3.1	43.88	41.00	50.38	31.75	60,114	1.65	1.12	47.3	12.3	1.76	4.1	.....	3 mos.	03-86
Svc Merchandise ..... M	8.88	- 1.50	- 14.5	10.00	8.25	16.13	8.25	26,486	7.95	4.45	78.7	NE	.08	.9	.....	3 mos.	03-86
Std Brd Pnt ..... N	21.25	- .13	- .6	21.88	19.38	25.63	18.75	3,551	17.55	9.72	80.6	16.9	.58	2.7	.....	3 mos.	04-86
Supermkts Gen ..... N	57.00	- 2.25	- 3.8	59.50	56.25	63.88	39.88	2,617	1.37	.97	41.2	16.0	.56	1.0	.....	3 mos.	04-86
Wickes Cos ..... A	5.50	- .13	- 2.2	5.88	4.88	7.00	3.88	125,829	9.12	3.70	146.5	28.9	.00	.0	.....	3 mos.	04-86
Wolohan Lumber ..... M	8.88	- .13	- 1.4	9.00	8.50	10.75	5.25	3,474	5.93	2.43	144.0	12.7	.16	1.8	NEW	6 mos.	06-86
Zayre Corp ..... N	28.00	- 8.38	- 23.0	36.25	26.25	43.88	23.88	61,860	10.39	2.07	401.9	17.2	.32	1.1	.....	3 mos.	04-86
Wholesalers																	
Lewis Palmer ..... M	8.38	- .50	- 5.6	8.75	8.00	9.88	6.38	894	2.29	1.28	78.9	33.5	.28b	3.3	.....	3 mos.	04-86
Manufacturers																	
Allegheny Int ..... N	15.88	- .13	- .8	16.25	11.38	28.75	11.38	8,480	7.88	2.23	253.4	NE	.00	.0	NEW	6 mos.	06-86
Am Standard ..... N	37.25	- .25	- .7	37.75	36.00	46.88	27.00	7,796	2.07	1.41	46.8	7.4	1.60	4.3	NEW	6 mos.	06-86
Armstrng Wrld ..... N	55.88	- 3.38	- 5.7	60.25	50.75	69.88	31.88	7,144	2.97	1.44	106.3	12.5	1.44	2.6	NEW	6 mos.	06-86
Black & Decker ..... N	15.38	- .38	- 2.4	16.00	14.50	25.25	14.50	13,239	2.28	1.78	28.1	23.3	.40	2.6	.....	9 mos.	06-86
Boise Cascade ..... N	51.88	- 2.25	- 4.2	54.88	51.50	59.88	39.63	6,714	2.29	1.37	67.2	16.4	1.90	3.7	.....	6 mos.	06-86
Certain-teed ..... N	28.25	- .25	- .9	28.63	24.63	38.50	22.38	4,472	2.36	.90	162.2	9.8	.90	3.2	.....	6 mos.	06-86
Champ Intl ..... N	23.25	- .63	- 2.6	23.88	22.50	29.75	20.25	25,157	2.66	1.78	49.4	16.0	.52	2.2	.....	6 mos.	06-86
DeSoto Inc ..... N	36.88	.13	.3	39.00	36.25	41.38	31.50	567	1.19	.42	183.3	12.3	1.40	3.8	NEW	6 mos.	06-86
Emhart Corp ..... N	32.63	- 3.75	- 10.3	36.38	31.13	42.63	26.38	2,981	.98	.59	66.1	12.1	1.40	4.3	.....	6 mos.	06-86
Georgia-Pacifc ..... N	29.75	- 2.13	- 6.7	32.00	29.25	34.25	20.63	26,712	2.58	1.33	94.0	19.3	.80	2.7	.....	6 mos.	06-86
Insilco Corp ..... N	22.25	2.75	14.1	24.75	18.25	24.75	16.63	8,864	4.50	1.25	260.0	16.1	1.00	4.5	.....	6 mos.	06-86
La Pacific ..... N	24.00	- .50	- 2.0	24.63	22.88	30.13	17.13	8,148	2.20	1.01	117.8	19.5	.80b	3.3	.....	6 mos.	06-86
Macmillan Bloedel ..... M	26.38	.38	1.4	27.50	26.13	28.63	12.47	258	.08	.14	- 42.9	NA	.50b	NA	NEW	6 mos.	06-86
Manville Cp ..... N	2.50	- .13	- 4.8	2.75	2.50	8.88	2.50	8,369	3.49	1.98	76.3	NE	.00	.0	.....	6 mos.	06-86
Masco Corp ..... N	28.38	- 1.50	- 5.0	30.13	28.38	34.50	15.25	16,713	1.30	.84	54.8	20.1	.32	1.1	NEW	6 mos.	06-86
Mor-Flo Inds ..... M	14.50	- 1.25	- 7.9	15.50	14.50	19.25	14.50	252	.99	.38	160.5	11.3	.01	.1	.....	3 mos.	03-86
Newell Co ..... N	27.13	1.50	5.9	28.00	25.00	36.75	15.63	4,119	3.68	1.47	150.3	12.9	.70	2.6	.....	6 mos.	06-86
Owens Corning ..... N	76.75	22.13	40.5	77.25	53.25	77.25	32.13	137,163	46.03	5.33	763.6	16.3	1.40	1.8	.....	6 mos.	06-86
Ply-Gem ..... A	12.75	- .25	- 1.9	13.13	12.50	15.50	9.59	2,015	2.74	1.39	97.1	14.7	.12	.9	NEW	6 mos.	06-86
Pope & Talbot ..... N	18.00	- 1.63	- 8.3	19.75	17.75	24.75	16.75	483	.81	.73	11.0	18.9	.80	4.4	.....	6 mos.	06-86
Potlatch Cp ..... N	54.13	- .13	- .2	55.25	51.75	55.25	32.25	2,463	1.89	.88	114.8	16.6	1.56	2.9	.....	6 mos.	06-86
Sherwin-Wms ..... N	26.00	- .38	- 1.4	26.38	24.50	32.25	16.63	11,995	2.60	1.60	62.5	15.7	.50	1.9	.....	6 mos.	06-86
SW Forest Ind ..... N	12.50	- .25	- 2.0	13.88	12.38	15.88	9.88	2,987	2.95	2.62	12.6	NE	.00	.0	NEW	6 mos.	06-86
Stanley Works ..... N	36.00	- .50	- 1.4	38.25	35.50	46.25	27.63	4,150	1.49	.88	69.3	12.5	1.04	2.9	.....	6 mos.	06-86
Thos Inds ..... N	21.13	- .38	- 1.7	21.75	20.00	26.75	16.19	661	.73	.43	69.8	11.4	.68b	3.2	.....	6 mos.	06-86
USG Corp ..... N	35.25	- 1.38	- 3.8	37.13	32.00	42.75	18.31	14,214	2.10	1.19	76.5	9.4	.96	2.7	NEW	6 mos.	06-86
Walter, Jim ..... N	46.00	- .38	- .8	46.50	41.38	48.00	26.00	11,175	3.85	2.06	86.9	17.3	1.40	3.0	.....	9 mos.	05-86
Waxman Ind ..... M	14.50	- .50	- 3.3	15.25	14.13	17.13	10.00	769	2.45	1.82	34.6	17.9	.08	.6	.....	9 mos.	03-86
Weyerhaeuser ..... N	31.88	.00	.0	33.75	31.25	40.25	24.75	21,608	1.66	.87	90.8	22.1	1.30	4.1	NEW	6 mos.	06-86

Company and Market	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Color Tile ..... M	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber ..... M	35.1	33.5	(.3)	NE	(.10)	NE	35.1	33.5	(.3)	NE	(.10)	NE
Forest City Ent ..... A	88.0	19.4	.2	.0	.03	50.0	88.0	19.4	.2	.0	.03	50.0
Grace W R ..... N	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman ..... A	62.6	.8	(.2)	- 100.0	(.06)	- 100.0	62.6	.8	(.2)	- 100.0	(.06)	- 100.0
Hechinger A ..... M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	136.9	19.5	4.9	28.9	.16	14.3	136.9	19.5	4.9	28.9	.16	14.3
Homecrafters Whse ..... M	41.4	17.6	(10.1)	NE	(3.62)	NE	184.4	17.9	(23.6)	NE	(8.42)	NE
Home Depot ..... N	222.6	53.5	5.1	168.4	.20	150.0	222.6	53.5	5.1	168.4	.20	150.0
INTERCO Inc ..... N	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp ..... N	5212.4	4.6	91.6	56.6	.70	52.2	5212.4	4.6	91.6	56.6	.70	52.2
Lowe's Cos ..... N	534.0	18.1	11.4	- 4.2	.31	- 6.1	534.0	18.1	11.4	- 4.2	.31	- 6.1
Mich General ..... A	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods ..... M	6.5	- 3.0	.0	- 100.0	.03	200.0	6.5	- 3.0	.0	- 100.0	.03	200.0
Natl Lumber ..... M	NC	NC	NC	NC	NC	NC	32.6	NC	(.6)	NC	(.10)	NC
Pay N Pak ..... N	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash ..... N	428.8	14.1	15.6	20.0	.45	15.4	703.3	11.5	18.0	23.3	.52	18.2
Scotty's Inc ..... N	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise ..... M	457.1	31.7	(29.2)	NE	(.88)	NE	457.1	31.7	(29.2)	NE	(.88)	NE
Std Brd Pnt ..... N	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen ..... N	1337.3	10.0	12.3	4.2	.67	1.5	1337.3	10.0	12.3	4.2	.67	1.5
Wickes Cos ..... A	995.1	40.9	15.7	NE	.02	NE	995.1	40.9	15.7	NE	.02	NE
Wolohan Lumber ..... M	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp ..... N	1044.5	32.2	16.7	9.9	.28	3.7	1044.5	32.2	16.7	9.9	.28	3.7
Wholesalers												
Lewis Palmer ..... M	33.8	2.4	.1	NC	.02	NC	33.8	2.4	.1	NC	.02	NC
Manufacturers												
Allegheny Int ..... N	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard ..... N	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Armstrng Wrld ..... N	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker ..... N	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade ..... N	945.1	- .8	31.3	- 1.3	1.07	.0	1861.7	- 2.5	56.3	- 13.4	1.90	- 13.2
Certain-teed ..... N	286.1	- 1.7	16.2	- 1.8	.85	1.2	541.1	- .5	26.7	8.1	1.41	12.8
Champ Intl ..... N	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc ..... N	131.5	2.8	4.9	- 23.4	1.02	- 23.9	228.3	3.3	7.3	1.4	1.53	1.3
Emhart Corp ..... N	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Georgia-Pacifc ..... N	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp ..... N	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific ..... N	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel ..... M	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp ..... N	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp ..... N	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds ..... M	52.4	.0	.7	- 58.8	.28	- 56.9	52.4	.0	.7	- 58.8	.28	- 56.9
Newell Co ..... N	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning ..... N	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem ..... A	59.1	38.1	2.4	166.7	.30	100.0	109.7	31.4	4.4	120.0	.56	60.0
Pope & Talbot ..... N	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp ..... N	249.9	.5	19.5	85.7	1.40	129.5	483.2	.0	33.1	50.5	2.35	83.6
Sherwin-Wms ..... N	598.3	- 1.4	30.5	7.0	.65	4.8	1101.0	.2	37.4	9.4	.80	6.7
SW Forest Ind ..... N	158.5	- 11.4	(4.0)	NE	(.25)	NE	301.0	- 13.8	(12.0)	NE	(1.19)	NE
Stanley Works ..... N	402.6	29.1	20.5	6.8	.73	4.3	726.8	23.4	35.2	6.0	1.26	3.3
Thos Inds ..... N	77.1	- 2.3	4.3	10.3	.47	4.4	147.9	- 3.2	7.5	5.6	.83	5.1
USG Corp ..... N	752.6	16.6	76.2	23.5	1.15	25.0	1374.7	11.4	127.9	22.7	1.96	25.6
Walter, Jim ..... N	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind ..... M	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser ..... N	1497.4	6.9	68.4	14.6	.46	12.2	2804.1	4.8	118.4	20.9	.77	18.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National
Home Center News ®

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Payless buys Knox, names new president

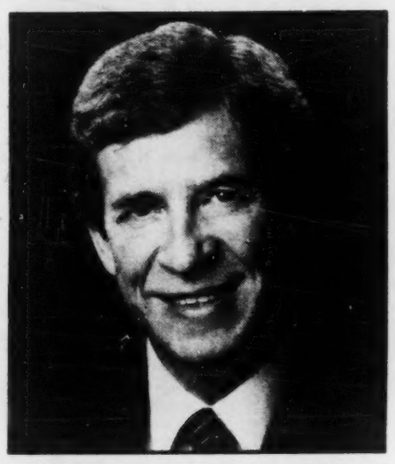
Kunz elected president under ceo Stanley

By an NHCN staff editor

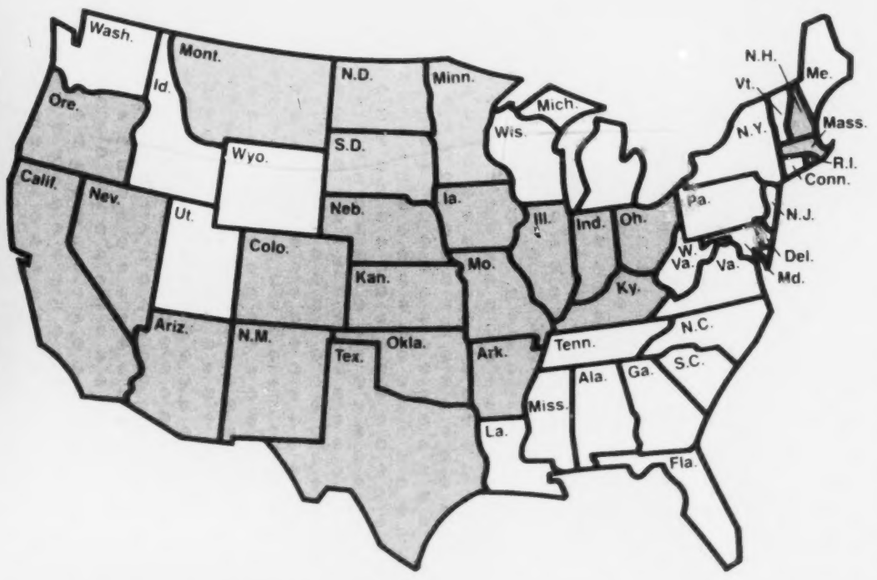
KANSAS CITY, Mo. — Larry P. Kunz was elected president and chief operating officer of Payless Cashways Inc., August 14. Kunz, 51, takes over the president's title from David Stanley, who remains chairman and chief executive officer of the 170-store chain.

In prepared remarks, Stanley said Kunz was selected for "over 25 years of experience in retailing and his knowledge of

(Continued on page 62)



Payless' acquisition of Knox expands the chain to 23 states and will include 10 stores, a DC and a site under development. Pictured is Larry Kunz, Payless' new president and coo.



☐ States with Payless units
☐ States with Knox Lumber units

Deal would add 10 units in four states

By Laura Liebeck
NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways is adding once again to its portfolio of regional building material chains with its agreement last month to acquire 10-unit Knox Lumber of St. Paul, Minn.

The announcement came less than four months after the Twin-Cities area retailer was sold by Southwest Forest Industries of Phoenix to a group of investors led by investment

(Continued on page 62)

British company buys Glidden for $580M

By Brad Altman
NHCN staff editor

CLEVELAND — The Glidden Company, the No. 2 paint maker in the U.S. consumer market behind Sears, has been sold by its parent firm, Hanson Industries, to Britain's largest industrial company, Imperial Chemical Industries PLC, for $580 million cash.

The deal brings to ICI the U.S. and Canadian paint, coatings, resins and MACCO (Liquid Nails brand) adhesives businesses which are part of SCM Corp., a unit of Hanson, which is a diversified industrial group.

New York-based SCM, whose coatings include paints selling under the Glidden and Spred Satin names, was acquired in March by Hanson Industries' parent company, Hanson Trust PLC of Britain, for $930 million.

Charles Carpenter, marketing services director for Glidden, said ICI "wanted to buy Glidden because it didn't have a position in paint in the United States. This makes

(Continued on page 61)

Builders Sq. buys Mr. HOW units, ends Service Merch.'s DIY foray

By an NHCN staff editor

TROY, Mich. — K mart's agreement to purchase 12 Mr. HOW Warehouse stores and 4 unopened Mr. HOW units puts its Builders Square subsidiary in position to be operating more than 90 stores generating $1 billion in sales by the end of this year.

At the same time, the sale marks the end of Service Merchandise's roller coaster ride in the home improvement industry.

On Aug. 20, Service Merchandise said it had agreed to sell most of Mr. HOW to Builders Square, the 56-store subsidiary of K mart which had previously announced plans to open 50 stores this year. The completion of the transaction is subject to certain conditions which neither Service nor K mart would specify.

The Nashville-based catalog showroom retailer said it will experience a pretax loss of $27 million in its third quarter as a result of the sale and the disposition or closing of all the remaining 10 Mr. HOW stores.

The company took a similar write-off of $8.5 million in its second quarter after selling five Mr. HOW stores and one

(Continued on page 4)

Ray Zimmerman feels Service Merchandise picked up a lot of merchandising ideas from Mr. HOW that can be used in Service's showrooms.

U.S., Canadian chains join to form import buying group

By an NHCN staff editor

TROY, Mich. — A consortium of 12 American and Canadian home center companies, with aggregate sales expected to exceed a billion dollars this year, have launched a new buying organization to facilitate the purchase of imported merchandise.

The new import buying group, which has been in the formative stages over the past year, is called CanAmCo.

It includes among its members such chains as Lanoga, which operates 14-unit Lumbermen's in the Pacific Northwest; 11-unit Spenards in Alaska; 115-unit United Building Centers in the Midwest; Builderama, the 6-unit Savannah, Ga., chain; 10-unit Hughes Lumber in Tulsa, Okla.; and Val Royale, the innovative Montreal-based Canadian home improvement retailer.

It also includes 20-store Stambaugh-Thompson, based in Youngstown, Ohio; 15-store Church's Lumber in Utica, Mich.; Eclipse Industries' 9-store B&B Home Supply in St. Louis; 4-store Levy's Lumber and Building Centers in Louisville, Ky.; and 11-store Chase-Pitkin in Rochester, N.Y.

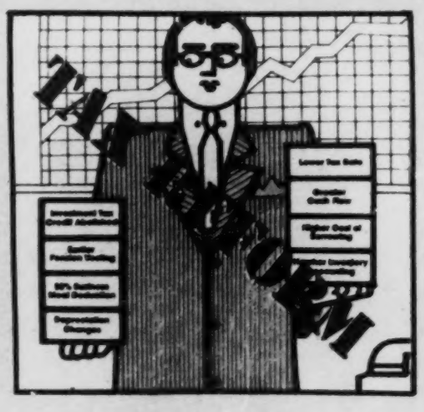
Through CanAmCo, these regional companies claim they can achieve buying clout comparable to that of the largest home center chains in the industry.

"We recently bought two containers of paneling from Hong Kong at a better price than we could have individual-

(Continued on page 61)

INSIDE

Perspectives: Home centers are facing profound changes under the new tax reform package passed Aug. 16 by the Joint Committee on Taxation. The measure is seen as broadly beneficial to the retail industry, compared to its effect on manufacturing and other sectors. **21**



Merchandising: Cordless and professional-grade power tools are sweeping the retail home improvement market as dealers try to improve a slow-growth category. **40**
Ad & Marketing: The Discover Card, introduced recently by Sears, has seen mixed initial results. **50**

NEWSBREAKS

OWENS-CORNING FIGHTS WICKES TAKEOVER BID WITH OFFER TO BUY BACK ALL OF ITS OUTSTANDING STOCK — SEE STORY PAGE 2

GENERAL FELT BIDS FOR COLOR TILE: General Felt, which owns a controlling interest in Diamond Lumber, has offered $30 a share for Color Tile. The offer surpasses a previous proposal of $25 a share submitted by Merrill Lynch Capital Partners.

INDUSTRY UPDATE

Depot debuts largest unit ever

EL CAJON, Calif. — The Home Depot was slated to debut its largest store to date—a 139,500-sq.-ft. outlet in this San Diego County city on Aug. 28. The grand opening marks the Atlanta-based chain's fifth unit in the San Diego market and its largest unit by square footage in the chain's history.

The Atlanta-based chain has a handful of units in the 100,000-sq.-ft.-plus range, but most average 80,000 sq.ft. A company official at Home Depot said the extra square footage at the El Cajon outlet would be devoted to an expanded under-roof lumber department, totaling approximately 30,000 sq. ft. "That represents 45 truckloads," said the official.

The new outlet is located one block away from a HomeClub membership warehouse outlet and industry observers are expecting a fierce battle to take place for market share.

Builders Sq. opens in L.A.

ROSEMEAD, Calif. — Using an ex-K mart outlet, Builders Square opened a 60,000-sq.-ft. warehouse store in this Los Angeles suburb on Aug. 14, marking the debut of its third California outlet. Other units are in Oxnard and Riverside.

A company official said the K mart subsidiary continues to plan additional Western U.S. market entries, including Denver where it is developing sites acquired from Mr. HOW in July. Those sites were acquired prior to Builders Square's most recent agreement to buy 16 Mr. HOW locations late last month (See story, page 1.)

On July 31, Builders Square opened its first unit in Portland, Ore., an 80,000-sq.-ft. converted K mart. A second build-to-suit store is slated to open in that market later this year. Builders Square also has a unit in Las Vegas, Nev., giving it a total of five stores in the Western U.S. to date and 56 nationwide, excluding the 16 new sites slated to come from Mr. HOW.

Three new Payless stores open

KANSAS CITY, Mo. — Payless Cashways opened three stores in late August: a Somerville Lumber unit in Seekonk, Mass., and two Furrow stores, in South Dayton, Ohio, and in the Cincinnati surburb of Florence, Ky., the company announced.

The Seekonk, Mass., store is a 56,000-sq.-ft. outlet with adjoining 100,000-sq.-ft. warehouse and outside lumberyard. Both the Florence, Ky., and South Dayton, Ohio, units, have 37,500-sq.-ft. retail showrooms and adjoining warehouses of 45,000 sq. ft. and 53,500 sq. ft., respectively.

The Kansas City, Mo.-based retailer now has 172 units, not including 10 stores it has agreed to acquire from Knox Lumber.

Supply One moves into Oregon

PORTLAND, Ore. — An 85,000-sq.-ft. Supply One outlet—the largest unit in the chain's two-year history—was slated to debut on a seven-acre site in the Hillsboro section near here Aug. 30, company president Jay Steiner said. Supply One opened its first stores, each about 30,000 sq. ft., in Reno and Sparks, Nev.

Industry stocks trend upward

NATIONAL REPORT — Home center stocks experienced welcome adjustments during the two-week period ended Aug. 22. Investors, who had sent the prices of 45 stocks tumbling during the previous two-week period, reversed their sympathies and sent the prices of 45 such stocks moving upward.

Given the takeover underway at Color Tile, it's not surprising the company's stock outperformed all the others by increasing 28.2%, to close at 27¼.

Standard Brands Paint increased 18.2%, to close at 25⅛.

Wickes Cos. declined 9.1%, to close at 5. The drop came in tandem with the firm's bid to buy Owens-Corning Fiberglas.

Erb Lumber dropped 8.9% to 14⅛.

(See financial table, page 60)

Wickes must increase the ante in bid for Owens-Corning shares

By Brad Altman
NHCN staff editor

TOLEDO, Ohio — In a move to thwart a takeover from Wickes Cos., Owens-Corning Fiberglas offered to buy back all of its current outstanding common stock Aug. 28.

The company said it would exchange all of the outstanding common shares for a package that includes $52 in cash, $35 in the form of the principal amount of a new junior subordinated debenture and one share of new common stock.

That package was valued at $83 by some market analysts, who based their valuation on estimated values of both the new stock and the new debentures which start paying interest in 1991.

On the day following the O-C announcement, Wickes said it would continue its tender offer for all of the outstanding shares of O-C stock, at a price of $74 each. A tender offer for the remaining 91.5% of O-C stock had been launched Aug. 12 and was set to expire at midnight, EDT, on Sept. 12.

However, in a prepared statement, Wickes also said that it was "studying the recapitalization proposal (of O-C) and may determine to sell some or all of its shares."

Sanford C. Sigoloff, Wickes chairman, said his company would analyze the valuation of the recapitalization offered by O-C, as well as the value of O-C to his company.

Wickes would have a substantial gain from tendering the shares it currently owns back to O-C. In a filing with the SEC, Wickes stated that it owned 8.5%, or 2,530,300, of the outstanding shares of O-C. Given the fact that most of those shares were purchased at a market price of $50, Wickes would gain some $33 per share from the exchange of its stock for the O-C instruments. Its gain would thus come to $83.5 million.

Less than a week after the board of O-C had rejected as "inadequate" a $74-a-share takeover bid from Wickes, Sigoloff had said that he was willing to increase his firm's tender offer. It is questionable, however, whether Wickes could match the new O-C counter offer.

Many observers were not surprised when Wickes said it would likely sweeten its bid prior to the O-C counter offer.

"It is another step in the never-ending developments that rapidly occur in takeover attempts such as this," said Daniel Bayston, a building material industry analyst with Duff & Phelps, Chicago.

The latest move by O-C

(Continued on page 61)

Lion leaves troubled Worthington in dispute with lender AmeriTrust

By Gary S. Ruderman
NHCN staff editor

MENTOR, Ohio — The departure August 19 of Paul Lion as chairman and ceo of The George Worthington Company has further exacerbated the problems of the financially strapped Ohio-based hardware wholesaler.

Lion, who had initially sought to acquire Worthington's Townley Hardware division and agreed to run Worthington as an interim measure, was to play an integral part in a financing agreement between Worthington and its prime lender, AmeriTrust Bank of Cleveland.

A disagreement, however, erupted between Lion and Ameritrust last month over the Townley subsidiary, prompting Lion to leave. At stake was a potential $2.95 million cash infusion for Worthington which now seems unlikely to occur.

The timing of Lion's departure, just two months after assuming the chairmanship, comes at a critical period for Worthington.

A primary supplier for the network of Sentry Hardware stores, with 1,500 accounts in 16 states, Worthington has been experiencing a crunch in cash flow.

Cost obligations have escalated significantly as a result of recent acquisitions and other commitments. Among costlier expenses was the construction of a 125,000-sq.-ft. warehouse in Lenexa, Kan., in 1983. A year later, the 157-year-old distributor moved out of its aged downtown Cleveland complex to a newly built 440,000-sq.-ft. facility in nearby Mentor in 1984. Meanwhile, the employee-owned company also insisted on repurchasing retirees' shares.

Over that same period of time, revenues from purchases by farm and energy belt dealers turned soft.

Payments rescheduled

Complicating matters in recent months, vendors have placed increasing limitations on shipments to Worthington distribution centers, in response to slower payments. Among the effects: a significant falloff in Worthington's fill rates.

"Right now, the customer fill rate is abysmal, about 50% to 60%," said one vendor who

(Continued on page 62)

Stockholder suit brought against Zayre

By an NHCN staff editor

FRAMINGHAM, Mass. — Zayre Corp., the $4 billion parent of HomeClub, has become the target of a class action suit filed by an investor in its stock, on behalf of shareholders who bought stock in the company between March 1 and Aug. 5, 1986.

Filed Aug. 14 in U.S. District Court, Boston, the suit charges that Zayre and certain of its officers and directors failed to disclose on a timely basis material information related to the company's disappointing results for the second quarter, ended July 30.

On Aug. 5, Zayre had announced that it expected second quarter net income to decline to about $5.6 million, or about 65% below the $16 million for the same quarter the previous year.

Zayre said that part of the decline was due to a $3.4 million charge related to the redemption of the company's 12⅝ senior subordinated debentures. If the effect of the redemption was discounted, the drop in earnings for the quarter was 44%, to $9 million.

On the day of the announcement, Zayre stock dropped four points to close at $26¾.

The suit claimed that between the dates of April 7 and June 16, a number of Zayre officers and directors were engaged in a "massive and systematic sell-off of over 400,000 shares of the common and restricted stock of Zayre valued at over $28 million, while, at the same time, the company was reporting to the shareholders that continued aggressive growth and profitability were planned for fiscal 1986."

The suit alleges that the officials "had access to adverse non-public information about the business and finances and the future business prospects of Zayre."

Among the Zayre officials

(Continued on page 61)

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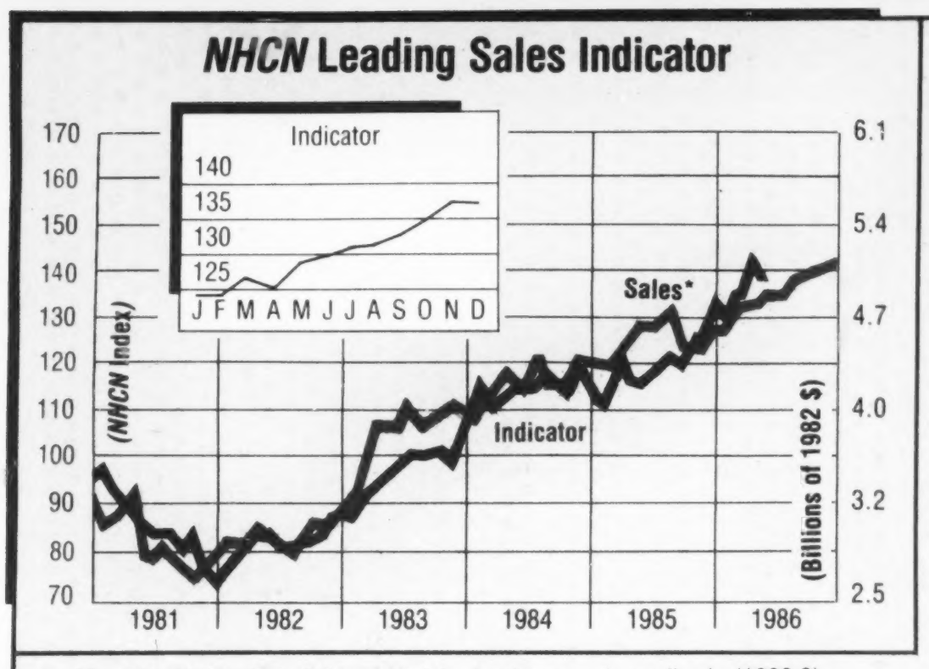
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales in the near term. Resales were down in the first quarter and will weaken building material demand. By year's end, sales will begin to increase from the lagged effect of the recovery in existing home sales and lower interest rates.

California again outpaces nation in housing starts, employment

By Richard E. Mount
Special to NHCN

California building material sales will increase 15% this year, three percentage points higher than the national average of 12%. This will be a gain of 14% after adjusting for inflation. For 1987, California will again outpace the nation with a 12% gain.

Employment growth in California is rising faster than the nation. Jobs in finance are up 4.3%, services 3.1% and trade, 2.8%, while construction and manufacturing are up only 0.5% from a year ago. The state has a large base of noncyclical industries such as research, tourism and defense spending. These sectors keep the state's economy strong. Major agricultural products in the state are in better condition than those of the Midwest.

Richard E. Mount

The state, however, has a number of cyclically sensitive industries, as well—auto production, petroleum refining, clothing textiles printing and publishing. The projected slowdown in the national economy during the second half of 1986, as presented in the last report, will be felt in various regions of the state.

Population growth and migration from other areas of the country have been major factors for California's strength. Since 1980, state population has grown 2% per year, 20% faster than its expansion in the 1970s. The population growth for the nation in the 1980s has been only 1%.

Residential markets are

(Continued on page 58)

Home Center Industry Regional Outlook

		1985			1986				1987			
		QII	QIII	QIV	QI	QII	QIII	QIV	QI	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		116.0	121.0	123.4	124.7	127.9	132.1	136.5	138.7	118.5	130.3	140.7
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	53,512	53,736	56,976	61,180	63,380	59,699	55,961	61,496	53,341	60,055	65,833
	New England	2,902	3,238	3,477	3,492	3,968	3,719	3,447	3,776	3,038	3,657	4,027
	Middle Atlantic	7,119	7,408	8,306	8,324	8,867	8,286	7,745	8,486	7,269	8,306	9,051
	East North Central	8,575	8,603	9,048	8,096	10,039	9,486	8,337	9,870	8,381	9,140	10,611
	West North Central	3,860	3,841	4,000	3,541	4,418	4,149	3,867	4,237	3,747	3,944	4,534
	South Atlantic	11,139	10,868	11,837	13,871	13,139	12,405	11,602	12,828	11,262	12,769	13,760
	East South Central	2,912	3,056	3,182	3,513	3,708	3,528	3,352	3,733	2,964	3,525	4,029
	West South Central	6,240	5,822	6,041	6,817	6,338	5,910	5,439	5,953	6,090	6,126	6,342
	Mountain	2,606	2,620	2,763	3,256	3,074	2,919	2,748	3,019	2,674	2,999	3,222
	Pacific	8,158	8,281	8,322	10,269	9,830	9,295	8,763	9,593	8,377	9,539	10,258
Constant	**Millions $1982 SAAR Total United States**	50,990	51,209	53,765	57,369	60,560	56,200	51,800	56,360	51,055	56,482	59,410
	New England	2,765	3,086	3,281	3,457	3,791	3,501	3,191	3,461	2,883	3,485	3,634
	Middle Atlantic	6,783	7,060	7,838	7,909	8,472	7,801	7,169	7,778	6,897	7,838	8,168
	East North Central	8,171	8,198	8,538	9,185	9,593	8,930	8,272	9,046	7,934	8,995	9,575
	West North Central	3,678	3,660	3,775	4,101	4,221	3,906	3,579	3,883	3,556	3,952	4,092
	South Atlantic	10,614	10,357	11,170	11,603	12,554	11,678	10,795	11,757	10,687	11,658	12,417
	East South Central	2,775	2,912	3,003	3,263	3,543	3,321	3,103	3,421	2,813	3,307	3,635
	West South Central	5,946	5,548	5,701	6,716	6,056	5,564	5,035	5,456	5,779	5,718	5,723
	Mountain	2,483	2,497	2,607	2,797	2,937	2,748	2,543	2,767	2,337	2,756	2,908
	Pacific	7,774	7,892	7,853	8,841	9,393	8,750	8,112	8,792	7,949	8,774	9,257
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.42	6.03	6.10	6.03	6.26	6.23	6.16	6.14	5.65	6.17	6.12
	Middle Atlantic	13.30	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.51	13.88	13.75
	East North Central	16.02	16.01	15.88	16.01	15.84	15.89	15.97	16.05	15.58	15.93	16.12
	West North Central	7.21	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.96	7.00	6.89
	South Atlantic	20.82	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.93	20.64	20.90
	East South Central	5.44	5.69	5.58	5.69	5.85	5.91	5.99	6.07	5.51	5.86	6.12
	West South Central	11.66	10.83	10.60	10.83	10.00	9.90	9.72	9.68	11.32	10.12	9.63
	Mountain	4.87	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.97	4.88	4.89
	Pacific	15.25	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.57	15.53	15.58
Industrial Production												
Index (1977 = 100)	Brick	87.5	91.3	88.6	92.7	92.2	94.5	94.1	92.4	88.5	93.4	91.1
	Cement	110.0	106.5	99.8	121.2	112.9	115.2	113.1	110.9	105.7	115.6	109.4
	Gypsum Wallboard	127.7	129.6	132.4	132.8	133.7	132.3	134.5	134.6	126.4	133.3	133.9
	Hardware	102.7	99.2	99.4	99.8	102.4	103.7	104.5	104.5	100.9	102.6	103.8
	Lumber Products	121.8	126.1	125.7	128.0	131.0	129.8	128.7	127.5	122.9	129.4	126.7
	Paint	106.0	98.2	100.2	100.6	104.2	105.9	107.1	108.2	101.9	104.5	109.1
	Plywood	137.1	144.3	142.9	149.6	157.7	148.6	148.2	147.3	138.7	151.0	145.4

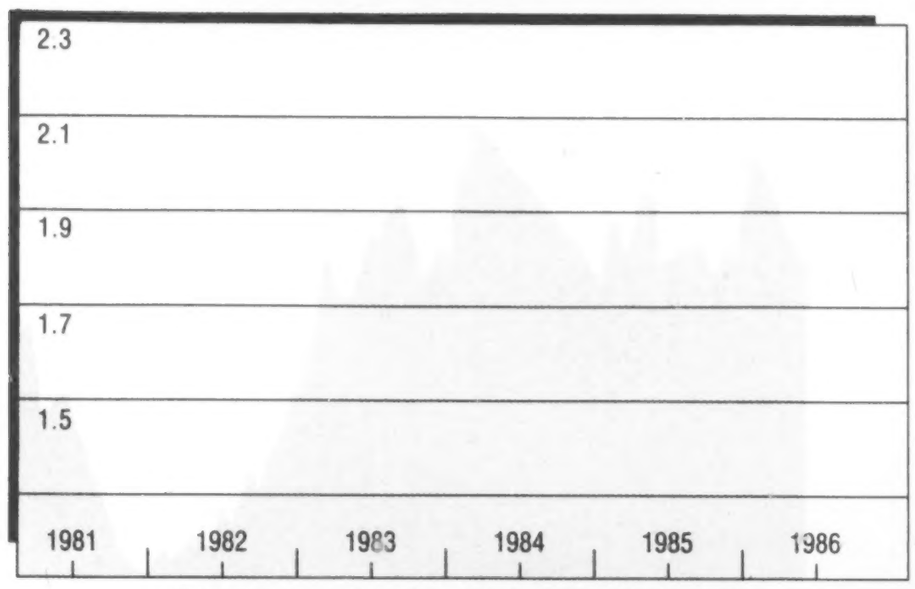
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
August 22, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

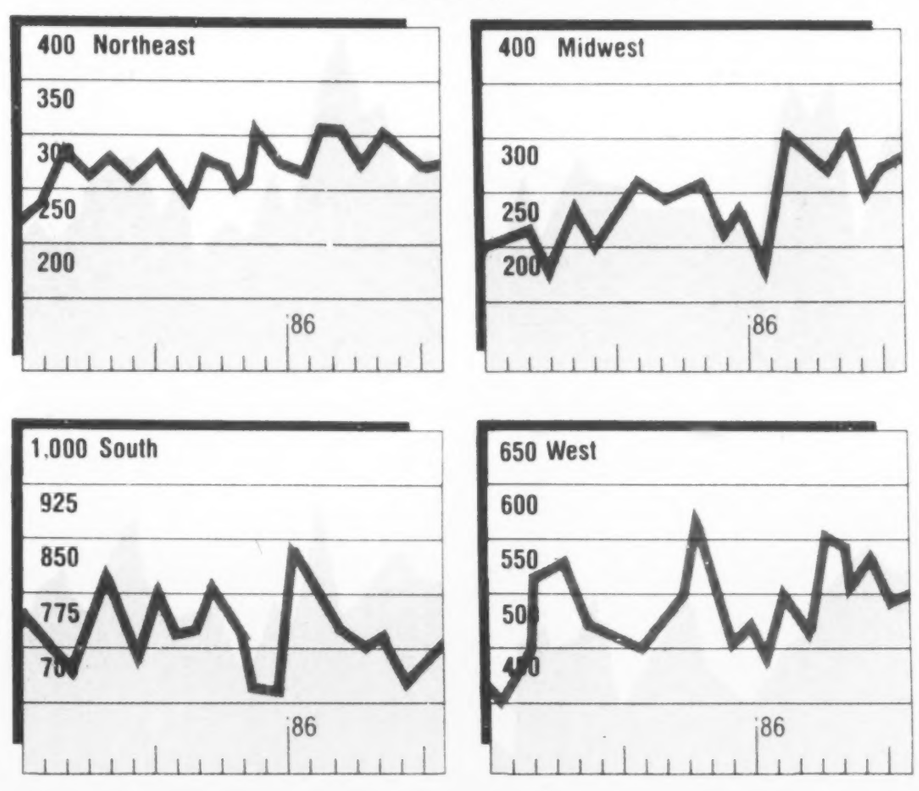


	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
July '86	1,818	1,754	1,181	1,906
June '85	1,852	1,792	1,229	1,121
July '85	1,673	1,709	1,608	961

Source: U.S. Commerce Dept.

Key: Starts, Permits

Regional housing starts and permits
(in thousands)



Housing starts drop for third month in row

By an NHCN staff editor

NATIONAL REPORT — For the third consecutive month, housing starts declined, sagging 2% in July, to a seasonally adjusted 1.85 million units, the U.S. Commerce Department reported.

The largest drop was recorded in single-family starts, down 4% to 1.18 million units.

Gopal Ahluwalia, assistant staff vp at the National Association of Home Builders (NAHB), said he was surprised single-family starts fell from its 1.2 million-to-1.3 million-unit-pace and even more surprised that multi-family rental construction, expected to decline under the weight of tax reform, rose 3% in July to 560,000 units, up 8% from July 1985.

"There's honestly no explanation for this," he said.

Also in July, permit activity dipped 2% to an annualized 1.79 million units and single family permits declined 2%, to 1.1 million units, the Commerce Department reported.

Compared to July 1985, total starts are up 9%, and single-family starts are ahead by 11%. Total housing permits are 3% above the level set last July and single-family permits are up 14%.

Leading the pack are the Northeast and Midwest. Housing starts in both regions are well above their June, 1986 levels. In fact, housing permits in the Northeast set a record in July, rising 17% to a seasonally adjusted 320,000 units. It was the highest number in the last 13 months and the most units permitted since March, 1973 when 341,000 units were recorded, said Dale Jacobson, a Commerce De-

(Continued on page 57)

Regional Housing
(in thousands)

	July '86 starts	% chg.	July. '86 permits	% chg.
Northeast	285	+ 3	320	+17.0
West	483	− 4	453	−10.0
South	711	− 7	692	− 5.0
Midwest	399	+11	289	even

Rental units to suffer from tax break loss

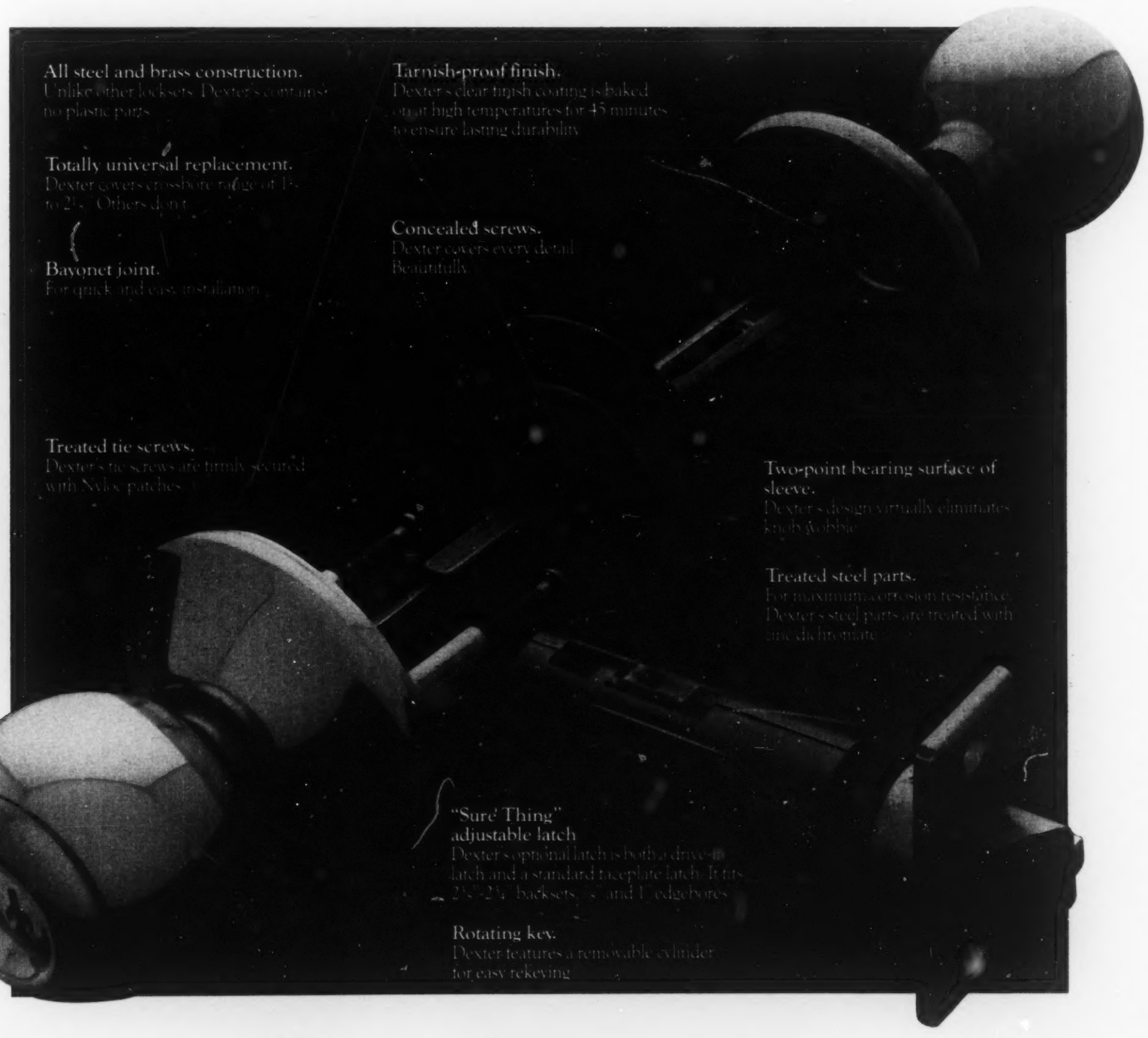
By an NHCN staff editor

NATIONAL REPORT — Renters and developers of rental housing stand to suffer more than most from the compromise tax reform legislation, housing experts asserted.

New starts are expected to constrict even more than they have this year, and rents should swell in reaction to the proposed loss of "incentives" for new development. How low the unit decline will sink, however, is uncertain.

According to the National Association of Home Builders (NAHB), multi-family construction should lose 350,000 units during the first year of the new tax law, as proposed—almost half the pace set in 1985—paralyzing the in-

(Continued on page 57)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LUMBER REPORT

Compromise tax plan threatens new lumber industry investment

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Forest products industry executives and observers portray theirs as an imperiled enterprise as a result of the new compromise tax plan.

The consensus among forest products producers is that the tax rules will discourage new investment, delay or stop reforestation programs, slow down capital improvements and mill additions and further erode export possibilities.

Part of the industry's dire prognosis is driven by the reality that their worst fears have come true—that virtually every item in the early tax plan forest products producers wanted to see maintained has been scrapped. Of the four major tax provisions the forest products industry desired, only the expensing of forest management costs were kept.

But the repeal of the Investment Tax Credit (ITC), the loss of capital gains treatment for long-term investment and the stretched out depreciation schedules are expected to hit the industry hard.

"The loss of investment tax credits and changes in depreciation schedules will effectively increase the cost of investment to modernize or increase capacity in basic industry by 11%," said Tom Ambrose, a Weyerhaeuser Co. corporate spokesman. "This is going to make it significantly more difficult for our smokestack industries to compete with other world producers."

In looking at the forest products industry, Ambrose painted a dismal picture featured by a lack of incentive to renew resources or improve existing mills.

"From the standpoint of the nation, it will lead to less planting and less intensive management, the removal of marginal land from production, accelerated harvest and less forest research," Ambrose said. "We're thankful that the deductibility of operating costs for forestry was retained. Under the original House bill, timber growing would have been the only industry in which such costs were not allowed."

Luke Popovich, of the American Forest Products Council, an agency within the National Forest Products Association, foresees the possibility of supply shortages. Popovich said that he can envision small timber growers, discouraged by the elimination of capital gains preferences, divesting themselves of their timberland and refusing to reforest. The result would be forest producers reluctant to commit themselves to new mills since they would not have the confidence that they could obtain raw materials.

"Unless there is a tax code that attracts investment to timber, which is already a marginal investment," Popovich said, "the forest producers will not assure themselves of adequate supplies, and without that assurance, it becomes particularly hazardous to invest hundreds of millions in new facilities when you are uncertain that 15 to 20 years out you will have the wood supplies you need."

Wall Street is not projecting the doomsayers' point of view and has managed to outline a few bright spots in the tax plan, mainly the expectation that commodity prices will rise in the future as repealed tax incentives discourage reforestation.

Sherman Chao, an industry analyst with Salomon Brothers, expects price inflation for forest products as timber growers, who had depended on capital gains treatment, shy away from replanting harvested forests.

"To the extent that there is a glut of timber on the market, this tax proposal discourages further investment in reforestation," Chao said. "At some point down the road, that will put pressure on prices.

"From an investment point of view, I don't like the near-term result of that, but I can see how it can be beneficial."

Despite the outcry over the repeal of timber capital gains, Chao argued that the large, publicly held forest products companies never prospered from capital gains.

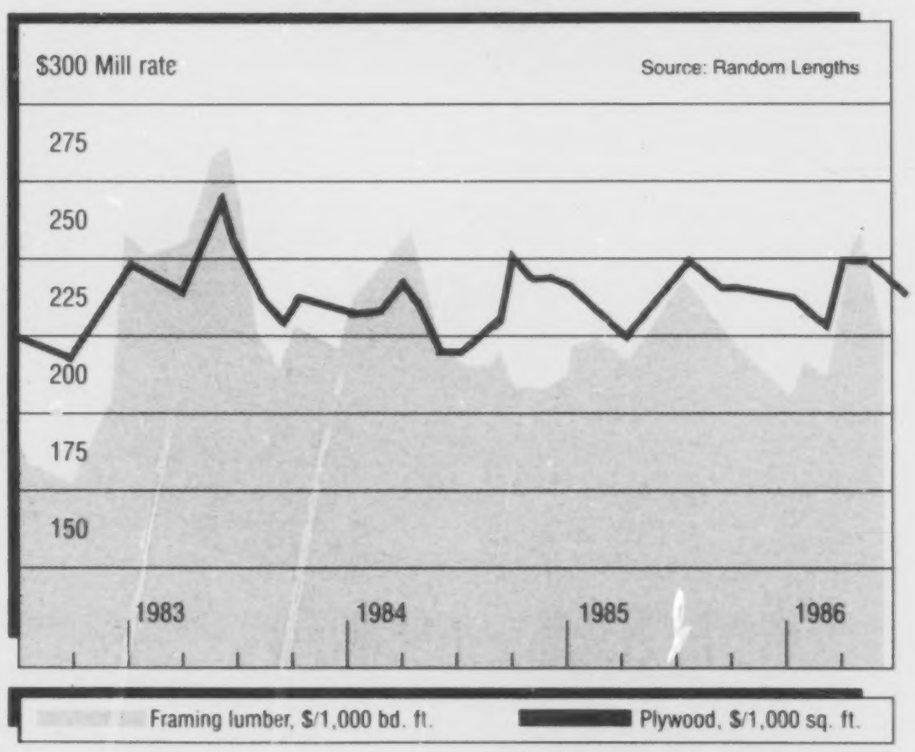
"The repeal of timber capital gains is a modest disappointment for the large companies," Chao added. "The earnings from the large publicly held companies have not really benefitted substantially from timber capital gains.

Evadna Lynn, an analyst with Merrill Lynch, said the new tax plan will have little effect on stockholders' earnings, but she said the repercussions from the tax plan will vary from company to company.

Lynn said expansion capacity will slow down and lumber prices will increase as resources are not replaced.

Commodity close-up

Composite lumber/plywood price profile
(per thousand board feet)



Lumber and plywood prices dropped sharply during the early stages of the third quarter. Framing lumber dropped from $233 a thousand board feet to a July trading average of $199 while plywood softened more slowly from $225 to $218 a thousand board feet.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 8/14

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Sept. '86	$168.60	$160.90	$165.10	$167.60	2,260	$182.40	$145.50
Nov.	$164.00	$156.20	$160.30	$162.70	1,800	$174.50	$146.00
Jan. '87	$165.60	$159.00	$161.80	$164.50	457	$175.00	$150.00
March	$167.80	$160.70	$163.30	$167.00	167	$175.50	$153.00
May	$168.00	$161.70	$164.30	$168.00	53	$174.50	$155.50
July	$168.50	$162.70	$165.30	$168.00	23	$175.50	$155.10
Sept.	$169.50	$165.50	$166.30	$170.50	1	$170.50	$165.00

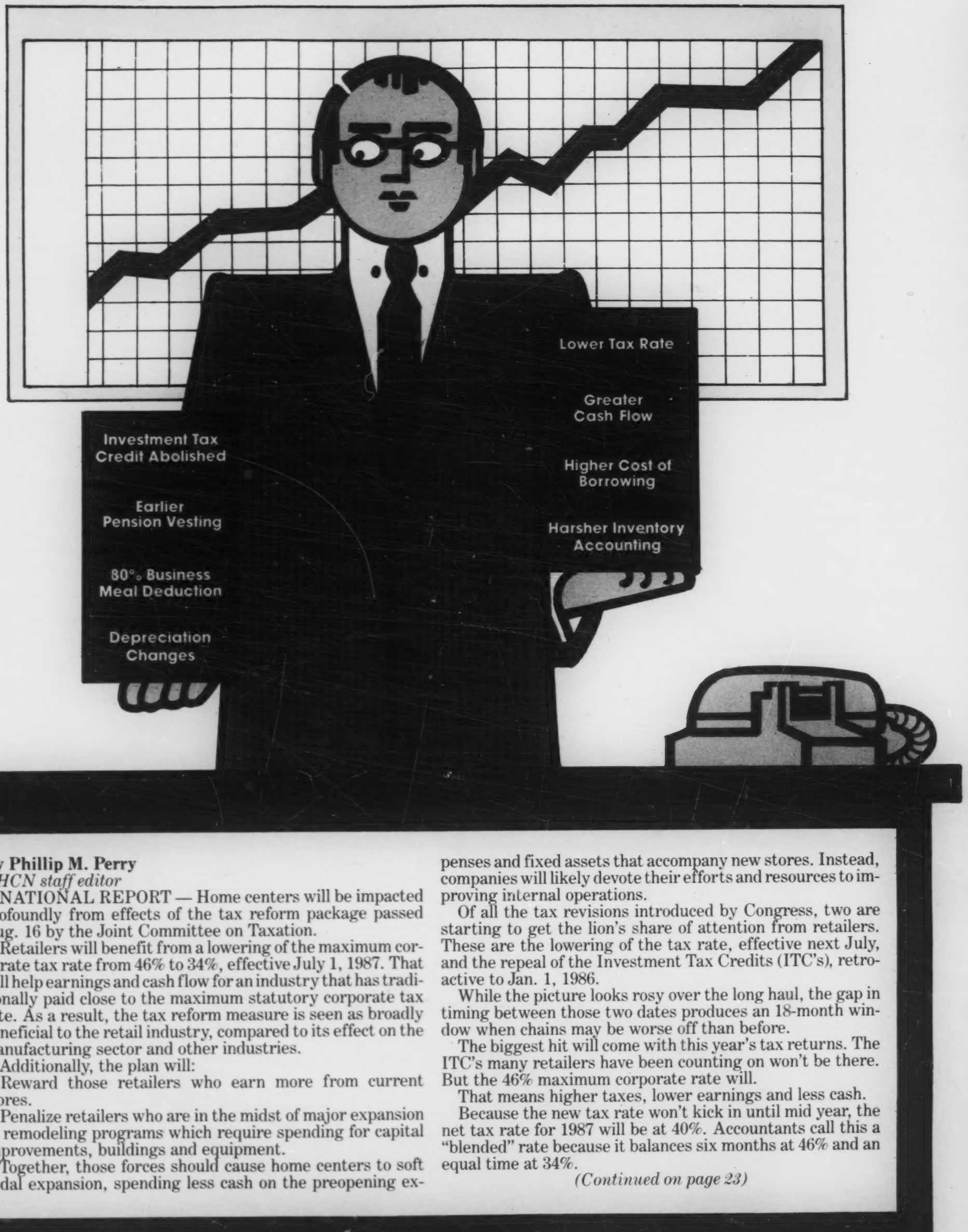
Total Contract Vol. (Through 8/14): 16,597 **Previous Two Weeks: 14,616**
Total Open Interest (As of 7/14): 4,761 **Previous Week: 5,759**
Cash Price: $181.30 **Previous Week: $175.42** **Year Ago: $144.06**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 7/14
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

National Home Center News • Section Two

Perspectives

HOME CENTERS WEIGH PROS, CONS OF TAX REFORM



By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Home centers will be impacted profoundly from effects of the tax reform package passed Aug. 16 by the Joint Committee on Taxation.

Retailers will benefit from a lowering of the maximum corporate tax rate from 46% to 34%, effective July 1, 1987. That will help earnings and cash flow for an industry that has traditionally paid close to the maximum statutory corporate tax rate. As a result, the tax reform measure is seen as broadly beneficial to the retail industry, compared to its effect on the manufacturing sector and other industries.

Additionally, the plan will:

- Reward those retailers who earn more from current stores.
- Penalize retailers who are in the midst of major expansion or remodeling programs which require spending for capital improvements, buildings and equipment.

Together, those forces should cause home centers to soft pedal expansion, spending less cash on the preopening expenses and fixed assets that accompany new stores. Instead, companies will likely devote their efforts and resources to improving internal operations.

Of all the tax revisions introduced by Congress, two are starting to get the lion's share of attention from retailers. These are the lowering of the tax rate, effective next July, and the repeal of the Investment Tax Credits (ITC's), retroactive to Jan. 1, 1986.

While the picture looks rosy over the long haul, the gap in timing between those two dates produces an 18-month window when chains may be worse off than before.

The biggest hit will come with this year's tax returns. The ITC's many retailers have been counting on won't be there. But the 46% maximum corporate rate will.

That means higher taxes, lower earnings and less cash.

Because the new tax rate won't kick in until mid year, the net tax rate for 1987 will be at 40%. Accountants call this a "blended" rate because it balances six months at 46% and an equal time at 34%.

(Continued on page 23)

Perspectives

cover story

Retailing strategies face profound changes

(Continued from page 21)

Then, in 1988, the rate will be 34% for the full year.

Among a number of other changes expected to impact home center retailers, the plan calls for:

- A requirement that retailers and wholesalers capitalize expenses associated with buying and handling inventory, rather than deduct them as operating expenses. The change will result in a substantial one-time charge. (Story, page 28.)
- A reduction in pension vesting periods from 10 years to a new threshold of five years. That will drain some modest additional cash from chains. (Story, page 35.)
- Reducing to 80% the allowable tax deduction for business meals and entertainment. Retailers will take a harder look at such expenses. (Story, page 30.)
- Lengthening depreciation schedules for much equipment. While the net effect won't be as severe as that of the elimination of ITC's, it's nevertheless another costly change for retailers.

For retailers in general, the rules of the road are plain: The higher the earnings, the greater the beneficial effect of the lower corporate tax rate. And the smaller the investment in fixed assets, the less severe the deleterious effect of the elimination of ITC's.

Based on 1985 performance, home centers should experience a net gain under the new tax plan.

Payless Cashways, for example, would have had an 8.1% increase in its cash flow in 1985 if the new tax plan had been in effect that year.

The lowering of corporate tax rates to 34% would have increased the firm's bottom line earnings by $8.2 million.

In a partial offset to that benefit, however, Payless would not have been able to deduct $3.1 million from its tax bill because of its ITC's.

The difference would have been $5.1 million in additional earnings and cash for the company. That would have increased the firm's cash flow by 8.1%, since the firm reported $63.3 million in cash flow (earnings plus depreciation) that year.

Twelve publicly held home improvement retailers listed on the chart below would have enjoyed increases in cash flow, ranging from 5.5% to 14.1% in 1985, had the key provisions of the new tax plan been effective.

The chart—organized from top to bottom in terms of winners and losers if the tax plan were in effect—shows that Color Tile would have had the most to gain. Its cash flow would have increased by 14.1%. Because its pretax earnings in 1985 came to a healthy $24,339,000 the corporate tax cut would have brought $2,921,000 in additional cash and earnings.

Color Tile kept its capital expenditures to a minimum in 1985, despite a program of regular growth in terms of store count. The company managed to do this by leasing the majority of its sites. Since its ITC's came to only $316,000 that year, it would have had a net gain of $2,605,000 with the new plan.

Other than the elimination of ITC's, the worst element of the new tax plan seems to be the requirement that retailers capitalize many of the inventory handling costs that they normally deducted directly from their gross incomes.

The costs, said retailers, would go beyond the resulting one time tax hit and would involve costs of setting up a new accounting system to handle the requirement.

Many home center operators complained about Congressional delay in putting together a tax reform package, noting details of the tax plan must be worked out.

"It's a tragedy that it took a year and a half for Congress to decide what the plan would be," said Doug Southern, vp-finance of Pay 'N Pak, Kent, Wash. He noted that the delay kept consumers from spending, since they were confused about what effect remodeling would have on their taxes.

Southern, and other home center operators, noted that the full ramifications of the new plan won't be known until the Internal Revenue Service and Financial Accounting Standards Board write guidelines. That will cause still more confusion as companies try to decide how to handle the plan's new requirements in many areas.

"After the law comes out, they often leave it to the IRS to write the regulations," said Southern. "That may be six to eight months down the road."

"No one will know what the new tax plan really means until the IRS writes the regulations," said Morrison Cain, public affairs counsel for the Association of General Merchandise Chains (AGMC).

"Eventually, it may be simpler," said Richard Martineau, exec vp of Scotty's, Winter Haven, Fla. "But it's one heck of a mess initially."

Between now and the end of the year, there's not too much retailers can do to overcome any negative impact from the bill. If a home center anticipates a need to borrow money, one good strategy might be to borrow now while the tax rate is still high. Once the tax rate falls to 40%, and later to 34%, borrowing will be much more expensive.

With the 46% tax rate in place, a retailer gets a $460 tax deduction for every $1,000 paid in debt interest. The company bottom line is reduced by $540. When the 34% rate is in effect, the tax deduction will be only $340. The bottom line will be depressed $660. Cash flow will increase equally.

"The actual savings to a company depend on when the interest is paid," pointed out Martin J. Mauro, a senior economist at Merrill Lynch Economics, New York. For short-term debt, borrowing costs are bound to be cheaper if the interest payments are made by the end of this year.

While taking longer-term debt now might also be wise, the cost advantage may not be as great. That's because the 40% blended tax rate is slated to begin Jan. 1.

While the new plan eliminated a host of tax deductions for both consumers and business, it did retain the deduction for the targeted jobs tax credit. Morrison Cain of the AGMC had lobbied for the credit to be retained and hailed the Congressional decision as a special victory for retailers.

"Retailers are the largest users of targeted job tax credits," he said. If an employer hires a worker who is handicapped—or who falls within the definitions of one of six other categories—the company receives a tax credit of up to 50% of the salary paid during the first year of employment.

Loss of ITC deductions to slow new store plans

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — For home centers with major expansion plans or retrofitting goals on the books, the loss of Investment Tax Credits (ITC's) hovers like a storm cloud over the horizon—or in this case, over the bottom line.

One of the early areas of agreement among congressional tax reformers was the consensus that ITC's had to go. Ushered into law during the Economic Recovery Act of 1981, ITC's allowed companies to deduct 10% from their tax liability whenever new purchases were made for major capital improvements or machinery.

It was a one-time write-off that particularly benefitted capital-intensive industries such as forest products, airlines and tool manufacturers. But it also benefitted retailers who were able to write off a portion of expenses associated with opening new stores.

In addition, however, depreciation schedules for most capital investment items qualifying for tax credits will also be reduced. For example, light trucks and company automobiles would have to be depreciated over five years, rather than three years as is the case now.

(Continued on page 24)

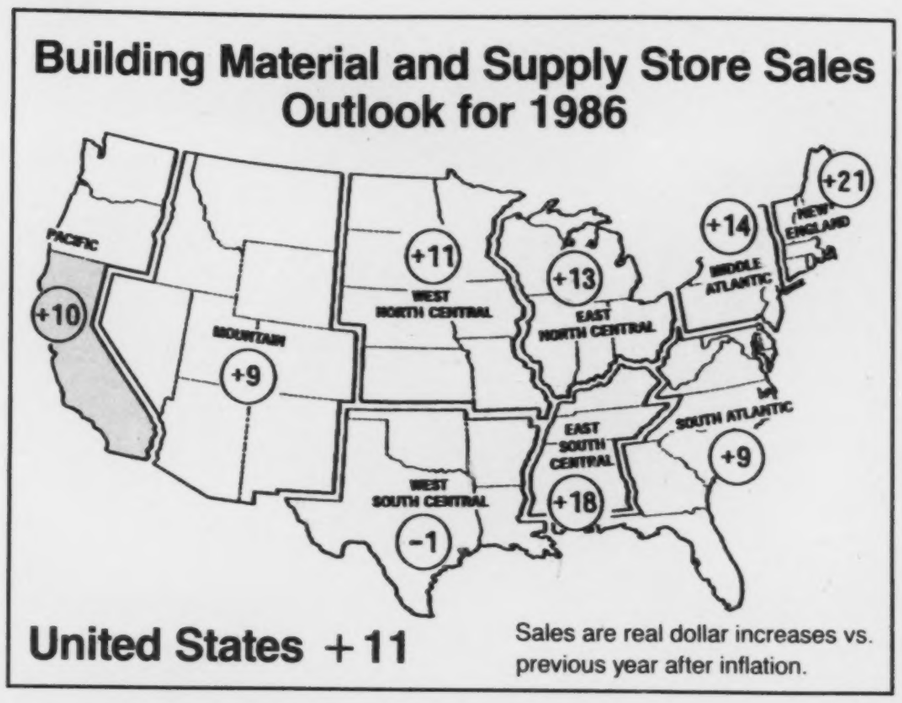
If Home Centers Were Taxed in 1985 Under the Regulations of the New Tax Plan . . .

		Retailers will gain from the lower corporate tax rate . . .	. . . but lose their usual Investment Tax Credit . . .	. . . yielding a gain (loss) in their net after tax earnings . . .	. . . and an increase in total cash flow.	
Company	1985 Pretax Earnings ($000)	After Tax Savings at 34% vs. 46% ($000)	1985 I.T.C.'s* ($000)	Tax Savings-I.T.C.'s ($000)	1985 Cash Flow = After Tax Earnings + Depreciation ($000)	Cash Flow Increase = After Tax Savings ÷ 1985 Cash Flow (per cent)
Color Tile	$ 24,339	$ 2,921	$– 316	$ 2,605	$ 18,446	14.1%
Lowe's	112,865	13,544	– 2,552	10,992	81,473	13.5
Erb Lumber	10,826	1,299	– 118	1,181	8,975	13.2
Handyman	13,972	1,677	– 154	1,523	13,785	11.0
Stand Brands Paint	27,165	3,253	– 972	2,281	21,650	10.5
Hechinger	37,290	4,475	– 1,492	2,983	29,705	10.0
Wolohan	6,421	771	– 241	530	6,124	8.7
Payless Cashways	68,027	8,163	– 3,064	5,099	63,303	8.1
K mart	756,000	90,720	–45,000	45,720	581,000	7.9
National Hardgoods Dist	884	106	– 35	71	1,039	6.8
Pay 'N Pak	14,463	1,736	– 737	999	16,522	6.0
Scotty's	29,540	3,545	– 2,111	1,434	25,922	5.5
Home Depot	11,619	1,394	– 2,308	– 914	12,595	– 7.3
					Average (excluding Home Depot)	9.6%

Source: NHCN calculations, based on data from 1985 annual reports. *ITC numbers include minimal amounts from other tax credits, such as targeted job tax credits. NHCN chart

Lower tax bills under the new tax reform plan will more than offset the loss of Investment Tax Credits (ITC's) in most cases. But companies that expand rapidly—as The Home Depot did in 1985—may suffer.

If the new tax reform plan had been in effect in 1985, Home Depot would have paid more in taxes, not less: A major expansion program that year reduced its pre-tax earnings to $11.6 million, but yielded $2.3 million in ITC's. A 34% tax rate, instead of 46%, would have lowered Home Depot's tax bill by $1.4 million. But the loss of ITC deductions would have exceeded the savings by $914,000, resulting in 7.3% drop in cash flow that year. During the first half of 1986, Home Depot's earnings reports have improved considerably. As a result, the company would benefit from the change in the tax law, with an increase in cash flow.



Calif. outpaces U.S. in housing starts

(Continued from page 12)

strong in California, sustained by the growth in employment and population. Housing starts rose 22% last year and are projected to gain 13% in 1986 before declining 3% in 1987. Resales, a larger market for building material sales, increased 7% in 1985, will rise 5% in 1986 and then contract 2% in 1987.

Oakland will be the strongest major market for building material sales in 1986 and 1987. Sales will be up 18% this year and 14% in 1987. Manufacturing in cities south of Oakland is rising. The downtown area is being rebuilt and the higher cost of working or living in San Francisco is helping Oakland. The area is experiencing an in-migration of firms which are moving to the expanding work force base in the East Bay. The city has a large port and benefits from export gains from the lower dollar. Employment is up 5.2% from last year.

San Diego will be stronger than the state average but below the pace of Oakland. Building material sales will rise 16% in 1986 and 13% in 1987. Employment is up 3.4% from last year, but construction is up only 0.9%.

Building material sales in Anaheim, Los Angeles and San Francisco will increase 15% this year, the average for the state. These cities are large and diverse, and the building booms of the past in Anaheim and Los Angeles are moderating. Construction in San Francisco, residential and nonresidential, is up 10%. Employment gains for the three cities have slowed to 2% from a year ago. Home prices have risen well above the national average, making housing less affordable for prospective buyers.

San Jose building material sales will be flat this year, with a rebound of 5% expected for 1987. Weakness in the computer industry has hurt the local economy. Employment is up only 0.1% from last year, but construction is down 4.0% and manufacturing, 3.7%. The computer industry will recover in 1987, and the rebound in resales will keep building material demand weak until 1987.

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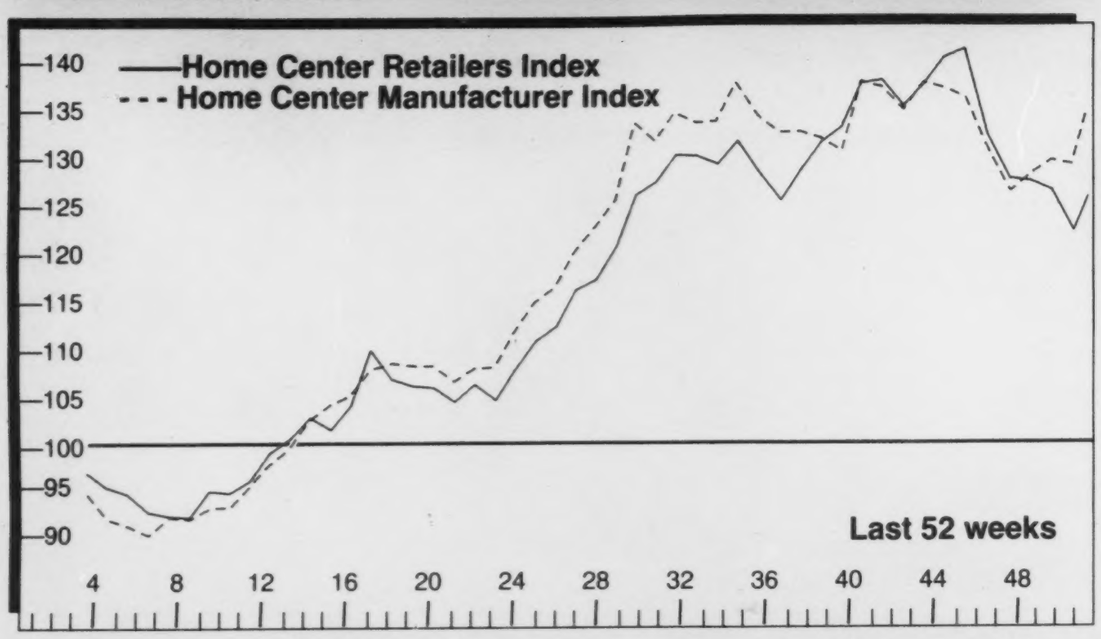
FINANCIAL NEWS

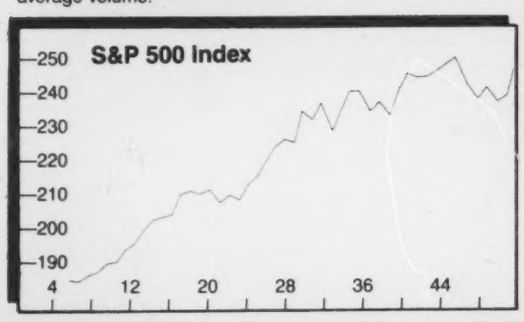


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
8-22-86	(100)	%	%
Color Tile ..... M	24,431	450.4	28.2
Boise Cascade ..... N	24,446	351.4	9.4
Thos Inds ..... N	1,722	324.4	4.1
Owens Corning ..... N	83,746	281.3	6.5
DeSoto Inc ..... N	837	243.1	7.1
Home Depot ..... N	14,467	229.9	13.9
Svc Merchandise ..... M	55,953	229.4	7.0
Black & Decker ..... N	36,722	213.4	13.8
Std Brd Pnt ..... N	7,600	211.5	18.2
Zayre Corp ..... N	41,783	191.8	6.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 8-22-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Color Tile ..... M	27.25	28.2	24,431
SW Forest Ind ..... N	15.25	22.0	6,077
Std Brd Pnt ..... N	25.13	18.2	7,600
Georgia-Pacifc ..... N	34.38	15.5	33,791
Allegheny Int ..... N	18.25	15.0	6,910
Champ Intl ..... N	26.63	14.5	36,461
Home Depot ..... N	19.50	13.9	14,467
Black & Decker ..... N	17.50	13.8	36,722
Weyerhaeuser ..... N	36.25	13.7	29,155
USG Corp ..... N	40.00	13.5	14,297
Losers	**$**	**%**	**(100)**
Wickes Cos ..... A	5.00	- 9.1	59,140
Erb Lumber ..... M	14.13	- 8.9	447
Ply-Gem ..... A	12.00	- 5.9	3,303
Manville Cp ..... N	2.38	- 5.0	7,138
Natl Lumber ..... M	5.00	- 4.8	462
Hechinger B ..... M	22.00	- 3.3	446
Insilco Corp ..... N	21.75	- 2.2	4,833
Wolohan Lumber ..... M	8.75	- 1.4	839
Natl Hardgoods ..... M	10.00	.0	139
Am Standard ..... N	37.38	.3	7,380

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 8-22-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Financial Update: Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile ..... M	27.25	6.00	28.2	27.25	22.13	27.25	16.88	24,431	25.87	4.70	450.4	18.2	.00	.0	.....	9 mos.	03-86	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber ..... M	14.13	- 1.38	- 8.9	15.75	14.00	19.25	5.75	447	1.34	.98	36.7	8.1	.00	.0	NEW	6 mos.	06-86	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent ..... A	33.25	2.25	7.3	33.25	31.13	33.25	22.00	72	.09	.06	50.0	45.5	.30	.9	.....	3 mos.	04-86	88.0	19.4	.2	.0	.03	50.0	88.0	19.4	.2	.0	.03	50.0
Grace W R ..... N	50.25	1.63	3.3	50.25	46.75	60.75	35.50	20,193	4.86	2.35	106.8	15.5	2.80	5.6	.....	6 mos.	06-86	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman ..... A	30.25	.38	1.3	30.50	29.88	36.00	21.75	141	.55	.48	14.6	12.3	.20	.7	.....	3 mos.	03-86	62.6	.8	(.2)	- 100.0	(.06)	- 100.0	62.6	.8	(.2)	- 100.0	(.06)	- 100.0
Hechinger A ..... M	21.75	.25	1.2	21.75	21.50	23.59	12.81	4,108	3.76	2.56	46.9	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.00	- .75	- 3.3	23.00	21.75	23.59	12.81	446	.15	.17	- 11.8	27.5	.06	.3	.....	3 mos.	04-86	136.9	19.5	4.9	28.9	.16	14.3	136.9	19.5	4.9	28.9	.16	14.3
Home Depot ..... N	19.50	2.38	13.9	20.38	17.00	21.75	10.50	14,467	5.74	1.74	229.9	31.0	.00	.0	NEW	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc ..... N	43.50	1.25	3.0	43.63	41.00	47.63	31.38	6,719	2.35	1.13	108.0	14.4	1.60	3.7	.....	3 mos.	05-86	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp ..... N	52.88	1.88	3.7	54.50	51.13	57.38	30.63	58,964	4.68	2.50	87.2	23.3	1.48	2.8	NEW	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos ..... N	29.13	.63	2.2	29.50	26.50	41.50	20.75	20,003	5.12	1.88	172.3	18.0	.40	1.4	.....	3 mos.	04-86	534.0	18.1	11.4	- 4.2	.31	- 6.1	534.0	18.1	11.4	- 4.2	.31	- 6.1
Mich General ..... A	2.88	.25	9.5	2.88	2.50	5.63	2.25	2,464	2.17	1.67	29.9	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods ..... M	10.00	.00	.0	10.00	9.50	10.25	5.50	139	1.13	1.55	- 27.1	23.8	.00	.0	.....	3 mos.	04-86	6.5	- 3.0	.0	- 100.0	.03	200.0	6.5	- 3.0	.0	- 100.0	.03	200.0
Natl Lumber ..... M	5.00	- .25	- 4.8	5.75	5.00	7.00	4.00	462	.82	.57	43.9	NE	.00	.0	.....	*	04-86	NC	NC	NC	NC	NC	NC	32.6	NC	(.6)	NC	(.10)	NC
Pay N Pak ..... N	14.75	1.00	7.3	15.00	13.25	19.38	11.63	1,980	1.98	1.59	24.5	17.6	.64	4.3	.....	3 mos.	05-86	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash ..... N	19.75	.25	1.3	22.75	19.00	27.50	13.50	10,919	3.15	1.99	58.3	16.5	.16	.8	.....	6 mos.	05-86	428.8	14.1	15.6	20.0	.45	15.4	703.3	11.5	18.0	23.3	.52	18.2
Scotty's Inc ..... N	14.88	.88	6.3	15.50	13.50	18.13	12.38	1,746	1.21	.44	175.0	14.0	.52	3.5	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	47.75	5.25	12.4	47.88	42.63	50.38	31.75	80,882	2.22	1.10	101.8	13.8	1.76	3.7	.....	3 mos.	03-86	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise ..... M	9.50	.63	7.0	10.00	8.25	15.63	8.25	55,953	16.80	5.10	229.4	NE	.08	.8	NEW	6 mos.	06-86	626.6	14.8	(9.3)	- 100.0	(.27)	- 100.0	1083.7	21.4	(38.5)	NE	(1.15)	NE
Std Brd Pnt ..... N	25.13	3.88	18.2	25.75	20.75	25.75	18.75	7,600	37.57	12.06	211.5	19.9	.58	2.3	.....	3 mos.	04-86	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen ..... N	58.00	1.00	1.8	58.50	56.25	63.88	39.88	4,237	2.21	.91	142.9	16.2	.56	1.0	.....	3 mos.	04-86	1337.3	10.0	12.3	4.2	.67	1.5	1337.3	10.0	12.3	4.2	.67	1.5
Wickes Cos ..... A	5.00	- .50	- 9.1	5.63	4.88	7.00	3.88	59,140	4.28	3.59	19.2	26.3	.00	.0	.....	3 mos.	04-86	995.1	40.9	15.7	NE	.02	NE	995.1	40.9	15.7	NE	.02	NE
Wolohan Lumber ..... M	8.75	- .13	- 1.4	9.00	8.75	10.75	5.25	839	1.43	2.22	- 35.6	12.5	.16	1.8	.....	6 mos.	06-86	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp ..... N	29.88	1.88	6.7	31.88	27.75	43.88	23.88	41,783	7.09	2.43	191.8	19.8	.32	1.1	NEW	6 mos.	07-86	1212.7	35.4	9.0	- 43.8	.15	- 44.4	2257.2	33.9	25.7	- 17.6	.43	- 20.4
Wholesalers																													
Lewis Palmer ..... M	9.13	.75	9.0	9.13	8.25	9.88	6.38	899	2.30	1.35	70.4	36.5	.28b	3.1	.....	3 mos.	04-86	33.8	2.4	.1	NC	.02	NC	33.8	2.4	.1	NC	.02	NC
Manufacturers																													
Allegheny Int ..... N	18.25	2.38	15.0	18.50	15.88	28.75	11.38	6,910	6.42	2.55	151.8	NE	.00	.0	.....	6 mos.	06-86	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard ..... N	37.38	.13	.3	38.38	37.00	46.88	27.00	7,380	1.96	1.29	51.9	7.4	1.60	4.3	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Armstrng Wrld ..... N	57.75	1.88	3.4	59.88	56.00	69.88	31.88	5,410	2.25	1.43	57.3	12.9	1.44	2.5	.....	6 mos.	06-86	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker ..... N	17.50	2.13	13.8	18.00	15.25	25.25	14.50	36,722	6.33	2.02	213.4	26.5	.40	2.3	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade ..... N	56.75	4.88	9.4	57.00	51.50	59.88	39.63	24,446	8.35	1.85	351.4	18.0	1.90	3.3	.....	6 mos.	06-86	945.1	- .8	31.3	- 1.3	1.07	.0	1861.7	- 2.5	56.3	- 13.4	1.90	- 13.2
Certain-teed ..... N	30.50	2.25	8.0	30.88	28.50	38.50	22.38	2,909	1.53	.88	73.9	10.6	.90	3.0	.....	6 mos.	06-86	286.1	- 1.7	16.2	- 1.8	.85	1.2	541.1	- .5	26.7	8.1	1.41	12.8
Champ Intl ..... N	26.63	3.38	14.5	27.00	23.25	29.75	20.25	36,461	3.85	1.65	133.3	18.4	.52	2.0	.....	6 mos.	06-86	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc ..... N	39.50	2.63	7.1	39.75	37.13	41.38	31.50	837	1.75	.51	243.1	13.2	1.40	3.5	.....	6 mos.	06-86	131.5	2.8	4.9	- 23.4	1.02	- 23.9	228.3	3.3	7.3	1.4	1.53	1.3
Emhart Corp ..... N	35.00	2.38	7.3	36.25	32.75	42.63	26.38	5,731	1.88	.66	184.8	13.0	1.40	4.0	.....	6 mos.	06-86	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Georgia-Pacifc ..... N	34.38	4.63	15.5	34.50	29.75	34.50	20.63	33,791	3.26	1.33	145.1	22.3	.80	2.3	.....	6 mos.	06-86	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp ..... N	21.75	- .50	- 2.2	22.63	21.50	24.75	16.63	4,833	2.45	1.26	94.4	15.8	1.00	4.6	.....	6 mos.	06-86	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific ..... N	27.25	3.25	13.5	27.38	23.75	30.13	17.13	8,304	2.25	.92	144.6	22.2	.80b	2.9	.....	6 mos.	06-86	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel ..... M	27.63	1.25	4.7	27.75	26.38	28.63	12.47	345	.11	.14	- 21.4	NA	.50b	NA	.....	6 mos.	06-86	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp ..... N	2.38	- .13	- 5.0	2.75	2.25	8.88	2.25	7,138	2.97	1.89	57.1	NE	.00	.0	.....	6 mos.	06-86	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp ..... N	28.63	.25	.9	30.38	28.25	34.50	15.25	16,951	1.31	.80	63.8	20.3	.32	1.1	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds ..... M	14.75	.25	1.7	15.00	14.25	19.25	14.25	77	.30	.30	.0	11.5	.01	.1	.....	3 mos.	03-86	52.4	.0	.7	- 58.8	.28	- 56.9	52.4	.0	.7	- 58.8	.28	- 56.9
Newell Co ..... N	27.38	.25	.9	28.50	26.38	36.75	16.00	1,352	1.21	1.40	- 13.6	13.0	.70	2.6	.....	6 mos.	06-86	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning ..... N	81.75	5.00	6.5	82.50	75.75	82.50	32.13	83,746	28.10	7.37	281.3	17.3	1.40	1.7	.....	6 mos.	06-86	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem ..... A	12.00	- .75	- 5.9	12.50	11.38	15.50	10.00	3,303	4.50	1.64	174.4	13.8	.12	1.0	.....	6 mos.	06-86	59.1	38.1	2.4	166.7	.30	100.0	109.7	31.4	4.4	120.0	.56	60.0
Pope & Talbot ..... N	20.38	2.38	13.2	20.38	17.75	24.75	16.75	1,149	1.92	.78	146.2	21.4	.80	3.9	.....	6 mos.	06-86	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp ..... N	59.75	5.63	10.4	60.00	54.25	60.00	32.63	1,250	.96	.85	12.9	18.3	1.56	2.6	.....	6 mos.	06-86	249.9	.5	19.5	85.7	1.40	129.5	483.2	.0	33.1	50.5	2.35	83.6
Sherwin-Wms ..... N	27.13	1.13	4.3	27.75	26.00	32.25	16.63	11,400	2.47	1.73	42.8	16.3	.50	1.8	.....	6 mos.	06-86	598.3	- 1.4	30.5	7.0	.65	4.8	1101.0	.2	37.4	9.4	.80	6.7
SW Forest Ind ..... N	15.25	2.75	22.0	15.50	12.50	15.88	9.88	6,077	6.00	2.80	114.3	NE	.00	.0	.....	6 mos.	06-86	158.5	- 11.4	(4.0)	NE	(.25)	NE	301.0	- 13.8	(12.0)	NE	(1.19)	NE
Stanley Works ..... N	39.63	3.63	10.1	40.75	35.75	46.25	27.63	2,445	.88	.86	2.3	13.7	1.04	2.6	.....	6 mos.	06-86	402.6	29.1	20.5	6.8	.73	4.3	726.8	23.4	35.2	6.0	1.26	3.3
Thos Inds ..... N	22.00	.88	4.1	22.25	21.00	26.75	16.19	1,722	1.91	.45	324.4	11.9	.68b	3.1	.....	6 mos.	06-86	77.1	- 2.3	4.3	10.3	.47	4.4	147.9	- 3.2	7.5	5.6	.83	5.1
USG Corp ..... N	40.00	4.75	13.5	40.75	35.25	42.75	18.31	14,297	2.11	1.20	75.8	10.6	1.12	2.8	.....	6 mos.	06-86	752.6	16.6	76.2	23.5	1.15	25.0	1374.7	11.4	127.9	22.7	1.96	25.6
Walter, Jim ..... N	50.25	4.25	9.2	51.75	45.63	51.75	26.00	15,668	5.40	2.15	151.2	18.9	1.40	2.8	.....	9 mos.	05-86	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind ..... M	15.75	1.25	8.6	15.75	14.25	17.13	10.00	1,076	3.43	2.04	68.1	19.4	.08	.5	.....	9 mos.	03-86	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser ..... N	36.25	4.38	13.7	36.63	32.00	40.25	24.75	29,155	2.24	.94	138.3	25.2	1.30	3.6	.....	6 mos.	06-86	1497.4	6.9	68.4	14.6	.46	12.2	2804.1	4.8	118.4	20.9	.77	18.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National Home Center News®

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Plywood class action nets $172M to retailers

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Thanks to Harry Gabriel, a Ponachatoula, La., lumberman, tens of thousands of building material retailers, wholesalers and home builders may soon start divvying up a $172 million class action lawsuit settlement.

That's roughly how much money is available in a fund established by plywood manufacturers who decided to settle out of court rather than continue fighting charges that they violated Federal antitrust laws by overcharging for freight and weight costs on Southern plywood for several years.

For any concern that bought plywood direct from manufacturers between February, 1968, and December, 1973—an estimated 40,000 to 60,000 retailers, contractors and distributors—checks amounting to 30% to 60% of the overcharge during the five-year period might be mailed out by February.

The imprecision of the percentage is a result of appeals in the U.S. Court of Appeals for the Fifth Circuit in New Orleans, filed by some Kentucky companies that are attempting to become part of the class. Once the panel of judges that makes up the Fifth Circuit resolves the appeals (expected during the second week of October), and barring any further action by the defendants, checks will be mailed out almost immediately from a Philadelphia office of Arthur

(Continued on page 81)

Wickes offer off as O-C plans recapitalization

By Brad Altman
NHCN staff editor

LOS ANGELES — Marking the end of a takeover battle, Wickes abandoned its hostile tender offer for Owens-Corning Fiberglas in late August and, on Sept. 2, sold its 8.5% stake in the building products company for an expected net profit after expenses of more than $30 million.

The decision to halt its tender offer was made shortly after O-C announced a stringent restructuring and recapitalization plan. Wickes decided not to get caught in a bidding war and refused to raise its $74-a-share, or $2.1 billion total, bid.

Wickes has taken itself "out of the picture in terms of a possible combination of the two

(Continued on page 85)

Lowe's uses new math in strategy shift

By Wyatt Kash
NHCN Editor

NEW YORK — Lowe's Companies is shifting strategic gears in a new multiyear expansion plan unveiled here at an Aug. 28 meeting with securities analysts.

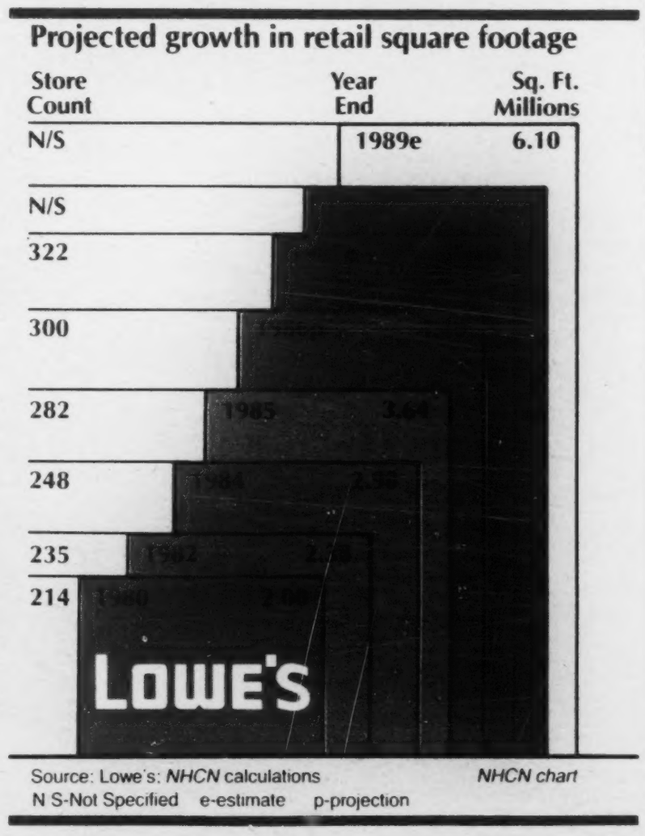
In a program to begin next year and accelerate in 1988, Lowe's will step up chainwide efforts to convert as many as 150 of its smaller stores into larger retail units, increasing the square footage of many of them by 45% to 50%.

At the same time, the North Wilkesboro, N.C., retailer, currently with 295 stores, is apparently scaling back plans for opening new stores after 1987.

The strategy reflects a shift in emphasis for Lowe's. The chain had been following a growth plan formulated in 1983, which called for annually increasing its store count by 5%, while simultaneously expanding its existing retail square footage by 10%. Those goals were at the heart of a renewed expansion plan christened by chairman Robert L. Strickland as Lowe's "5 + 10" strategy.

The revised plan, which Strickland labeled

(Continued on page 85)



Beaver Lumber to purchase Crown Stores

By Kenneth Schept
NHCN staff editor

TORONTO — Beaver Lumber, Canada's largest home improvement retailer, is about to strenghen its presence in the western part of that country with the acquisition of Crown Stores Limited.

The deal, for an undisclosed amount of cash, would give Beaver 15 Crown Mart stores in rural parts of Alberta and Saskatchewan provinces, as well as 11 larger HomeTown units in the cities of Calgary, Edmonton, Regina and Vancouver.

The Crown stores last year produced about $60 million (Canadian) in sales, according to Beaver Lumber president John Lacey, who said the Crown units would increase Beaver's square footage in

(Continued on page 86)

Home centers post modest same store sales gains in 2Q

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Five months ago, Stephen A. Lightstone believed 1986 would bring a welcome rebound in consumer shopping.

It seemed logical for Payless Cashways' chief financial officer. Interest rates were low. Housing starts were high. Like steel and flint, the two conditions should have sparked a fire under shoppers.

Results of the latest three months, however, have not encouraged this prognosis. The second quarter of 1986 wasn't terrible, but in only isolated pockets did the consumer express the shopping enthusiasm that was expected.

"I don't see the signs yet that the economy will do much better through the next quarter than it's doing now," said Lightstone. While housing starts and interest rates are still at levels that would seem favorable for business at home center chains, Lightstone noted that the economy in general has not responded. Gross national product and retail sales have fallen below forecasts.

Same store sales at Payless, the $1.4 billion chain based in Kansas City, Mo., increased 6% for the three months that ended Aug. 31, down from the 10% increase experienced during the three-month period that ended May 30.

Same store sales for a group of six publicly held home center companies rose 5.4% during the second quarter, ranging from a high of 7.0% at Hechinger to a low of 2.3% at Handyman. That represented an improvement over the 4.6% that the same six chains reported for the first quarter.

(Continued on page 86)

Same Store Sales Changes (%)

	Second Quarter 1986	First Quarter 1986
Hechinger	7.0%	2.0%
Handyman	2.3	3.6
The Home Depot	5.0	2.0
Lowe's	5.4	8.0
Payless Cashways	6.0	10.0
Scotty's	6.8	1.9
Average	5.4	4.6

Source: Company reports NHCN chart

Average same store sales at six representative home center chains rose to 5.4% for the quarter that just ended.

INSIDE

Perspectives: Home centers are focusing on business ethics to stem losses at the headquarters level. **21**
Merchandising: Improved grades of grass carpet are turning patios, decks, porches and pool areas into fully decorated living areas. **48**

Market Analysis: Louisville is a city of contrasts. Its flat economy lags behind the rest of the Sunbelt, yet companies like Payless and Levy's prosper. **43**
Ad & Marketing: Building material and hardware sales in top 250 markets surpass $53 billion mark. **59**

NEWSBREAKS

GRACE CONSOLIDATES RETAIL UNITS: W. R. Grace said Sept. 12 it would consolidate its Handy Dan and Handy City operations under the management of Channel Home Centers; Home Quarters Warehouse will be run separately. The decision is part of a broader cost-cutting move that will fold Grace's retail businesses into the firm's general business group while it continues negotiations to divest its retail holdings. Additionally, Grace announced Edward Tutun, retail chief, will retire Oct. 1, and be succeeded by Pedro Mata.

INDUSTRY UPDATE

Wickes acquires Homecrafters

SANTA MONICA, Calif. — Wickes Cos. said it closed on the purchase of Homecrafters Warehouse Sept. 5, which moves Wickes into a new state (Mississippi) and strengthens its position in Alabama with 13 more units. The purchase involved all 28 of the Homecrafters stores, which operate in six states. (*NHCN*, July 28).

A transition team of 20 executives, working with Homecrafters controller Talmadge A. Payton, was involved in the final paperwork necessary to bring the Homecrafters operation under the umbrella of Wickes Lumber, headquartered in Vernon Hills, Ill.

The company plans to close the Homecrafters office in Birmingham, Ala., once the transition is completed. Les Hagen, president of Wickes Lumber, will be responsible for running the acquired stores, which will operate as a subsidiary called Wickes-Homecrafters. The company said no decision had been made about renaming the stores.

Coast to Coast buys Buddies

DENVER — Coast to Coast, the $330 million wholesaler, purchased a seven-store Dallas hardware chain called Buddies last month, as part of a new growth plan.

Coast subsequently sold Buddies to a franchisor, but continues to ship the units through its warehouses.

Richard Bard, chairman of the wholesale outfit, said the acquisition of the $5 million chain was part of a larger plan to grow Coast to $500 million with 1,250 dealers by 1990 (*NHCN*, Aug. 25). The wholesaler plans to open 65 franchised units this year, a five-year record. With the acquisition of Buddies, Coast to Coast had 1,030 dealers.

Terms of the acquisition were not disclosed.

Payless breaks ground for DC

SEDALIA, Mo. — Payless Cashways Inc. broke ground August 29 for construction of a $15 million, 480,000-sq.-ft. Midwest distribution center in Sedalia, Mo.

This site was chosen from 31 sites in 20 cities investigated by the company.

In a prepared statement, David Stanley, Payless Cashways chairman and ceo said the 65-acre site in southwestern Missouri will become the company's principal national distribution center serving 130 of Payless' 171 stores from Ohio to Colorado and from Minnesota to the Rio Grande River. Construction is expected to be completed in the fall of 1987, the company said.

Stanley said the distribution center will stock 12,000 stockkeeping units, the majority of which used to be shipped to stores directly from suppliers. It will employ about 200 people.

Four Seasons to open 2d unit

SAN DIMAS, Calif. — Officials with Four Seasons Garden & Home Centers have set Oct. 22 for the debut of their second outlet slated to occupy 18,000 sq. ft. of the Canyon Shopping Center on San Dimas Canyon Road in this eastern Los Angeles County city.

Four Seasons opened its first unit May 3 in La Palma, Calif. (*NHCN*, May 19). President Phil Edwards said he expects to expand the fledgling chain by the addition of "two to three" units next year.

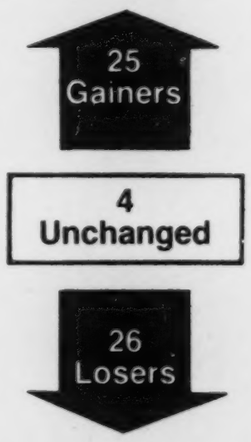
Stock performance lackluster

NEW YORK — Home center industry stocks experienced a relatively lackluster two-week period ended Sept. 5, as 25 issues gained, 26 declined and four were unchanged.

Color Tile followed a 28.2% gain in the previous two-week period with a 10.6% gain during the most recent period to close at $30.13. Supermarkets General, Rickel's parent, closed at $31, a 6.9% price gain, after reporting record second quarter earnings.

Some winners during the previous two-week period fell somewhat in the latest period: Hechinger A declined 16.1%, Hechinger B was down 13.6% and National Hardgoods fell 2.5%.

(See financial table, page 84)



If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Diamond to shutter five stores, kicks off remerchandising effort

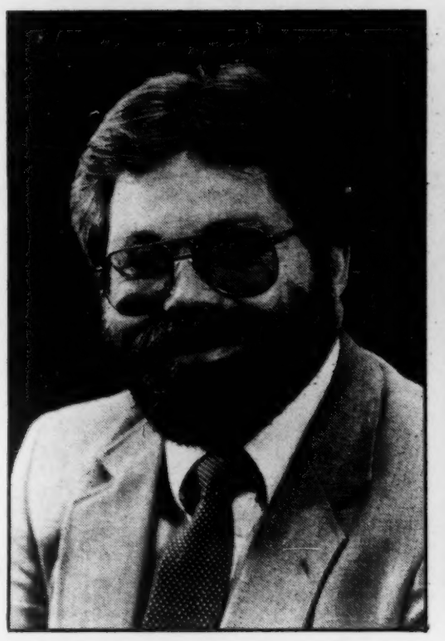
By an NHCN staff editor

CARROLLTON, Tex.— Financially beleaguered Diamond Lumber, the 96-unit contractor-oriented retailer based here, is closing five money-losing stores and is kicking off a major showroom expansion program with the October "grand reopening" of two stores.

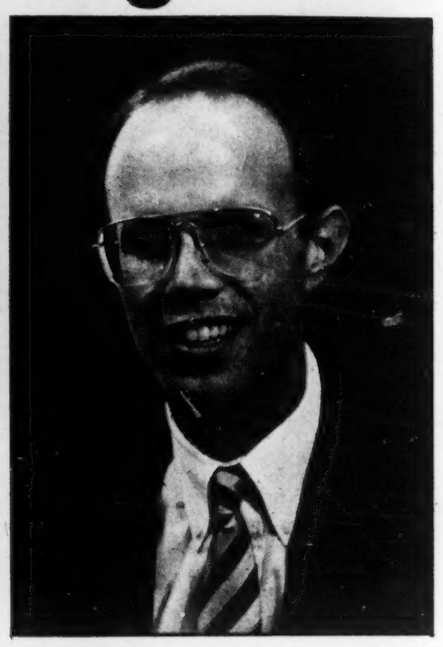
Stores to be shuttered or sold are located in Riverton, Wyo.; Brighton and Gunnison, Colo.; Lubbock, Tex.; and Anderson, Calif. The chain's store count will lower to 91 units.

Simultaneously, two stores—in Oroville, Calif., and Lees Summit, Mo.—are being remerchandised and enlarged as part of the debut of a reformatting program intended to strengthen the chain's ability to provide total project sales to consumers, who now make up only about 20% of Diamond's $300 million volume.

And, in a related development, the company is bolstering its DIY executive staff with the late August hiring of former Supply One gm, Eric Peterson, a home center industry veteran, who is assuming the newly created post of vp-Western operations, overseeing 41 Diamond outlets in California, Idaho and Washington state.



Eric Peterson, vice president-Western operations.



Doug Berard, Director of store systems

Another new executive is Doug Berard, a former Payless Cashways store manager in Springfield, Ill., who is Diamond's director of store systems based in Carrollton.

Summarizing the chain's activity, president Harlan Seats said, "We are hiring people, remodeling, increasing the size of the stores and taking markdowns on merchandise when we shut down yards.

"These things may be tactically wrong—they defer the time it will take to stop some of the bleeding—but they are strategically correct," Seats said. "Any time a company is not making money, you're on the hot seat."

Seats is the former executive vp at Payless Cashways who was hired late last year by Diamond parent Michigan General to turn the profit picture at Diamond around.

Closing unprofitable units

Seats said the stores to be closed were chosen because they had "lost one-third of a million dollars in the last seven months." He said they totally accounted for $500,000 in accounts receivable and $1.5 million in inventory.

Noting that Diamond re-

(Continued on page 80)

Worthington closes Townley subsidiary

By an NHCN staff editor

MENTOR, Ohio — In an apparent cost-cutting move, The George Worthington Co. closed down its Denver-based subsidiary, Townley Hardware, Sept. 8 and fired the 60 employees.

"I expected it," said Ken Renner, general sales manager of Townley, who received news of the closing Sept. 7 from Worthington vice chairman Dexter Rolla."I'm just surprised it didn't happen last week." Renner was with Townley for 23 years.

Worthington was under pressure to act, as the wholesaler here has been reeling under severe financial problems that include an inability to raise enough capital to purchase inventory and the recent collapse of negotiations with bank lenders for new financing (*NHCN*, Sept. 8).

At press time, Worthington "was pursuing additional financing," according to Kenneth Hrovat, Worthington's president. He would not comment on what options the wholesaler was weighing, or whether any of the company's employees have been laid off.

Renner said Townley had been cutting back on its employees for the last nine months, trimming the work force from 125 on Jan. 1 to 60 when operations were suspended.

Townley's account base, as many as 1,200 retail outlets in 1985, had dwindled to less than 900 at the closing, Renner said. Townley's and Worthington's fill rates fell to 50% over the last 18 to 24 months, dealers and suppliers said.

"Whatever loyalty there was to Townley went out the window when the fill rate went out the window," said Jim Beall, comptroller of the five Alpine Lumber stores in Denver. "When the quality of service went down, we found another supplier."

Mike Maloney, store manager of the one-unit Crissey-Fowler Lumber Co., Colorado Springs, Colo., with 1984 annual sales of $32 million, said his firm switched to Hardware Wholesalers Inc. as its primary supplier because of Townley's declining fill rate.

Scotty's scales down expansion plans

By an NHCN staff editor

WINTER HAVEN, Fla. — Scotty's announced this month that it has scaled back its aggressive new store expansion plans and has closed six old stores in markets where the company has opened or intends to open new facilities. But, the 127-store retailer said it still expects to meet or exceed its overall goal of adding 10% in new store square footage this year.

The change reduces to four the number of existing stores to be retrofitted to Scotty's new store format this year. Previously, the company had announced that 10 existing stores would be remodeled this fiscal year, ending June 1987.

"This adjustment reflects management's concern about the impact we are feeling on earnings from our aggressive expansion and the fact that the company exceeded our 10%

(Continued on page 86)

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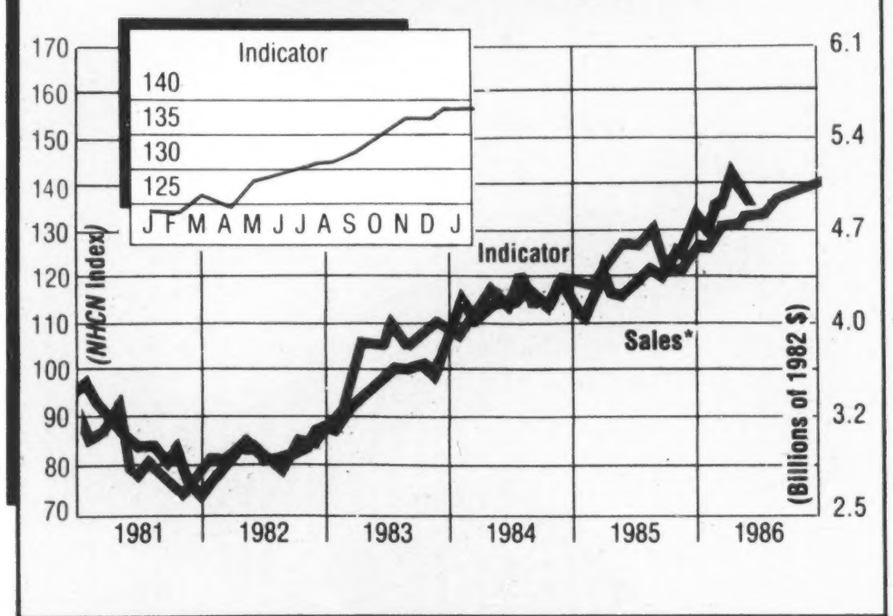
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an expansion in building material sales in the fourth quarter. Resales were up in the second quarter and will increase building material demand.

Material forecast adjusted down to 11% in 1986 and 9% in 1987

By Richard E. Mount
Special to NHCN

Due to recent revisions in Commerce Department numbers, which indicate 1985 was a stronger year after adjusting for inflation than was initially reported, the forecast for building material sales growth has been adjusted downward slightly.

Building material and supply store sales will increase 11% in 1986 and 9% in 1987, a revision from the 12% and 10% gains forecast as of a month ago. In addition, building material sales and price increases were not as strong in the second quarter as the preliminary government data indicated.

Our forecast for building material sales in the second half of 1986 and throughout 1987, after adjustment for inflation, has not been changed. The *National Home Center News* Leading Indicator calls for modest gains for the rest of this year from favorable patterns in housing starts, resales and interest rates in recent months.

Richard E. Mount

The outlook for many other consumer markets has been scaled back, however, from mounting debt levels, changes in the tax code and employment weakness. In spite of the drop in the dollar against most major trading partners, the dollar has remained strong versus the Korean, Hong Kong, Canadian and Mexican currencies, keeping United States manufacturers on the defensive.

Weak economy ahead

Merrill Lynch Economics, in contrast to many members of the forecasting fraternity, is anticipating weakness in consumer spending during the

(Continued on page 13)

General Business Conditions

		1985		1986				1987		1985	1986	1987
		QIII	QIV	QI	QII	QIII	QIV	QI	QII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)		121.0	123.4	124.7	127.9	132.1	136.6	138.8	139.9	118.5	130.3	140.8
General Economic Outlook												
	GNP $1982 Billion	3,603.8	3,622.3	3,655.9	3,661.5	3,676.1	3,672.5	3,683.2	3,701.9	3,585.2	3,666.5	3,716.0
	Real Disposable Income $1982 Bil.	2,524.7	2,540.7	2,581.2	2,627.4	2,631.0	2,629.8	2,638.4	2,647.2	2,528.0	2,617.4	2,654.1
	Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,750	1,650	1,550	1,610	1,739	1,767	1,621
	Housing Starts (000 SAAR)	1,688	1,773	1,988	1,914	1,820	1,720	1,650	1,700	1,742	1,860	1,710
	New Home Sales (000 SAAR)	681	711	696	789	789	790	725	725	686	780	731
	Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,475	3,400	3,450	3,450	3,216	3,401	3,475
	Prime Rate %	9.5	9.5	9.4	8.6	7.8	7.4	7.0	6.8	9.9	8.3	6.7
	Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.0	9.5	9.3	9.3	12.5	10.1	9.3
	Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.0	330.8	333.7	336.8	322.1	328.2	338.6
	Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.4	290.8	293.6	296.7	293.9	289.8	298.4
	New Housing Affordability 1980-100)	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	77,800	90,600	84,965	87,508	90,543	92,903	94,567	96,069	80,267	88,980	97,902
	Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
	Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
	Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant												
	Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
	Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
	Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,399,296	1,388,316	1,404,932	1,419,968	1,433,024	1,464,688	1,486,994	1,511,810	1,373,941	1,430,653	1,522,036
	Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,648	1,098,004	1,125,010	1,143,813	1,163,970	1,061,148	1,104,255	1,173,224
	Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,208	80,365	81,592	84,105	85,539	74,062	82,767	85,920
	Building Material and Supply	53,736	56,976	61,180	62,612	59,101	55,400	60,879	63,310	53,841	59,573	65,173
	Hardware	11,116	11,572	11,416	11,404	11,719	11,889	12,211	12,441	11,092	11,607	12,477
Constant	**Total Millions $1982 SAAR**	1,308,139	1,288,244	1,306,567	1,337,066	1,336,000	1,352,000	1,359,000	1,368,000	1,282,772	1,332,908	1,370,250
	Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,048,995	1,038,000	1,053,000	1,060,000	1,068,000	997,299	1,041,839	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,242	76,800	77,200	78,790	79,340	70,215	78,751	79,290
	Building Material and Supply	51,144	53,749	57,422	60,432	56,200	51,800	56,360	58,030	51,035	56,464	59,410
	Hardware	10,580	10,918	10,717	11,008	11,200	11,250	11,440	11,540	10,507	11,044	11,515
	Building Materials % of Total Less Automobile ($Current)	5.04	5.26	5.59	5.70	5.38	4.92	5.32	5.44	5.07	5.39	5.56

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
September 5, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Building material sales forecast revised to 11% in '86

(Continued from page 12)
second half of 1986. Many expect a spurt in demand as consumers get their last chance at deductible sales taxes and interest expenses. However, the changes in the tax codes will not send buyers out in force because only 35% of taxpayers itemize, only 17% of those entitled to sales tax deductions take more than the amount allowed in the tables, and some purchases will be made at the expense of others.

Single-unit housing starts

For the housing industry, weakness in the economy will be a mixed blessing. Income gains will not be as strong but mortgage rates will be lower, making housing more affordable. In recent months, rates rose from 10% to almost 11% in some areas, but the economic slowdown will lower mortgage rates to 9.5% during the fourth quarter.

Single-unit starts have softened from their first quarter pace of 1.25 million units. Starts, at the beginning of the year, were helped by favorable weather and a sharp drop in mortgage rates. By the spring, problems developed in the energy-producing states, interest rates rose and weather returned to a more normal seasonal pattern.

Single-unit housing starts will remain near 1.2 million units through 1987 in spite of the soft economy. This will mark the fifth year of 1.1 million to 1.2 million single-unit starts, a strong market for building materials. As mortgage rates drop back to single-digit levels, consumer demand will be rekindled. Demographic pressures on starter homes remains strong as the end of baby boom enters the home buying stage.

Multiunit housing starts

Multiunit starts have fallen from an annual rate of 746,000 in the first quarter of 1986 to 670,000 in the second and are headed towards 475,000 by the end of next year. Multiunit starts for the year will total 650,000 in 1986 and 500,000 in 1987.

The market is overbuilt in many areas of the country. Vacancies of rental units are at their highest since 1967. Changes in the tax-code in 1981 shortened depreciation schedules and investors rushed into the market, often with tax-sheltered, syndicated projects. Fears of tax law change led to a surge in multifamily projects in late 1985 and early 1986 financed by municipal bonds.

The coming changes in the tax code will make the negative impact of the overbuilt multiunit market worse. The depreciation schedule has been lengthened from 19 years to 27. Losses in real estate will no longer be deductable from income, causing tax-oriented projects to decline in value.

Building material sales

Building material retail sales will not be impacted as much as total housing starts through 1987. Merrill Lynch continues to expect sales to increase 11% in 1986 and 9% in 1987. The *NHCN* Leading Indicator, based in part on the strength in starts and resales in the first half of 1986, is calling for strong building material sales through year end.

Building material retail sales are more concentrated in the single-unit market than the softening multiunit sector. The proposed tax code change will continue to allow the deductability of interest payments on a second mortgage if it is used for home improvements. This will encourage additional building material sales as families opt to improve existing homes. The new code, however, limits the total amount of the first and second mortgage for the interest to be tax deductible.

Stanley sets plans for new hand tool DC

By an NHCN staff editor

CHARLOTTE, N.C. — Stanley Works has finalized an agreement to begin construction on a 219,000-sq.-ft. distribution center here to service its Hand Tool division.

The DC, which is expected to cost $5 million, is the second such facility to be opened by the New Britain, Conn., company as part of Stanley's corporate strategy to improve its distribution network to key accounts. Its Hardware division has already opened a DC in the Richmond, Va., market, and a third DC is planned for an as yet undetermined market.

The Charlotte site, which will be constructed by Trammell Crow Co. as part of an industrial park, is expected to be operational by the second quarter of next year. The location was deemed as ideal by Stanley to service the Hand Tool division's Shelbyville, Tenn., and Cheraw, S.C., manufacturing plants.

The location was also selected "to reduce the amount of road time it takes us to get our products to market," said C. Stewart Gentsch, president and general manager of the division.

He estimates that distribution from this plant could cut as much as two days off product delivery.

The Carolinas have become the "in" places for hardlines distribution, as Cotter & Co. has just opened its newest DC in Henderson, N.C., and both Ace Hardware and Hardware Wholesalers Inc. will be opening units in and around Columbia, S.C.

"The growth of the customer base in the southest and southwest has a lot to do with all this activity," explained Gentsch.

"Plus, Charlotte has become a major air hub, is well-connected with interstate highways, has a good workforce, and its land costs are competitive."

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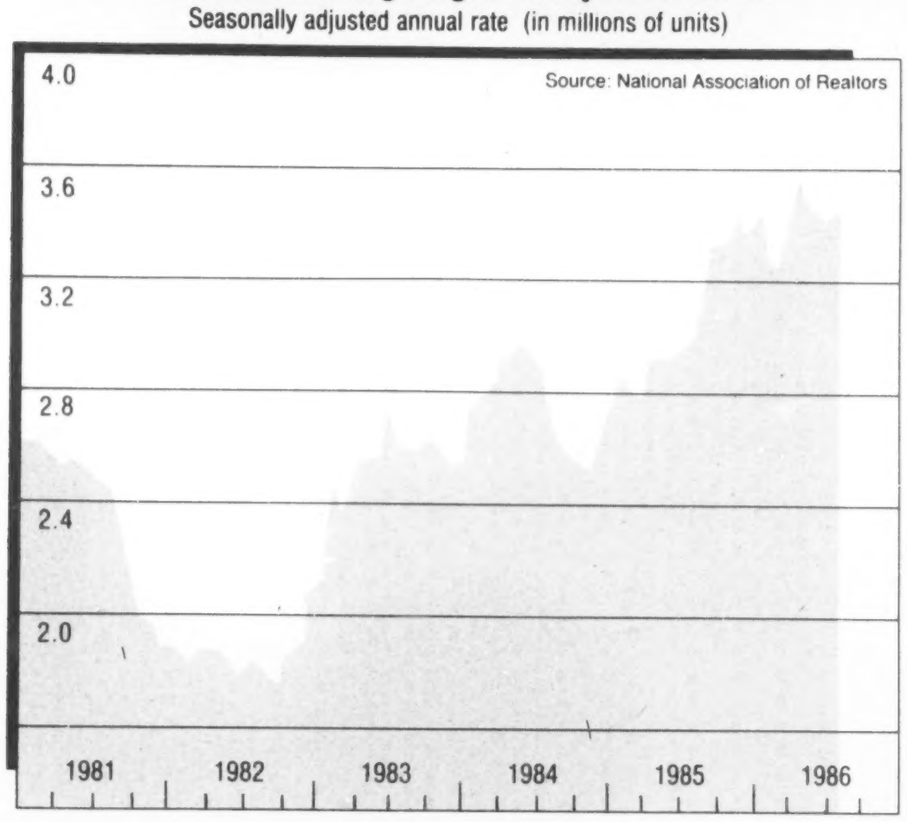
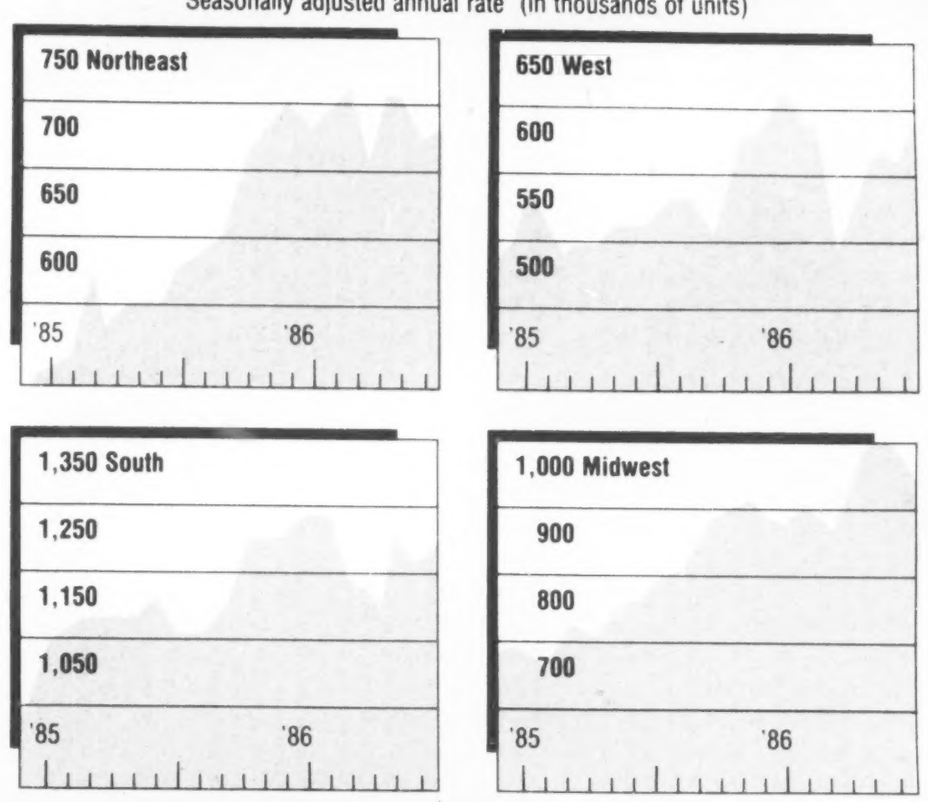
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Housing resale pace edges up 1.8% in July

By an NHCN staff editor

NATIONAL REPORT — The housing resale pace edged up 1.8% in July to 3.45 million units, seasonally adjusted, recovering the 1.1% loss posted in June, said the National Association of Realtors (NAR).

Although the sales gain was small in July, activity was 8.8% greater than the July 1985 rate, a factor NAR president Clark E. Wallace attributes to lower mortgage rates and pent-up demand from earlier this decade.

The Federal Home Loan Bank Board said the effective rate for loans closed on resales was 10.28% in July, compared to 11.47% in July 1985.

The median-priced resale home was $82,400 in July, down $200 from June but 7.4% higher than a year ago. NAR expects this figure to increase 8% this year and moderate to the 5% level in 1987. Homes appreciated at a 4.3% rate last year.

The sales of previously occupied homes rose in three of the four regions, the NAR reported. Home prices fell in all but one region.

Median sales price
(in thousands of dollars)

	July[p]	June[r]	May	April
U.S.	82.4	82.6	83.2	80.2
Northeast	106.3	109.7	104.9	105.1
South	79.0	80.0	82.9	78.4
Midwest	64.1	65.2	64.6	66.2
West	105.7	103.0	104.7	96.6

Source: National Association of Realtors
[p]-preliminary [r]-revised

The Midwest was the only region to post a sales decline in July. Activity in the 12-state region fell 2.1% to 950,000 units, seasonally adjusted, but was still 4.4% greater than its July 1985 pace. Home prices also sagged, dipping $900 on a median-priced home, to $64,100 in July. Despite the loss, home prices were still 6.3% ahead of the same month in 1985.

Sales activity in the Northeast, Midwest and South rose in July with the West posting the biggest gains, the NAR reported.

The West recorded a 5.3% sales increase from June, to 600,000 units, seasonally adjusted, a 20% surge from July 1985. This region also posted the only monthly gain in home price, rising $2,700 in July to a median $105,700, 11.2% greater than the $95,000 median-priced home recorded one year ago.

Annual home price appreciation was highest in the Northeast, however. Home prices there rose 20% from July 1985, to a median $106,300. But prices fell from June to July by $3,400.

Sales in the Northeast inched up 1.5% in July to 680,000 units, seasonally adjusted, a 9.7% increase from last year's month.

The South charted a 3.4% sales gain in July, to 1.22 million units, seasonally adjusted, a 7% gain over July 1985. Home prices fell $1,000 from June, to $79,000, a 2% increase from the 1985 month.

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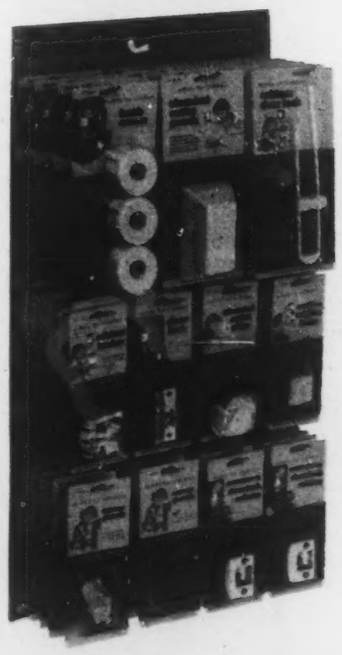

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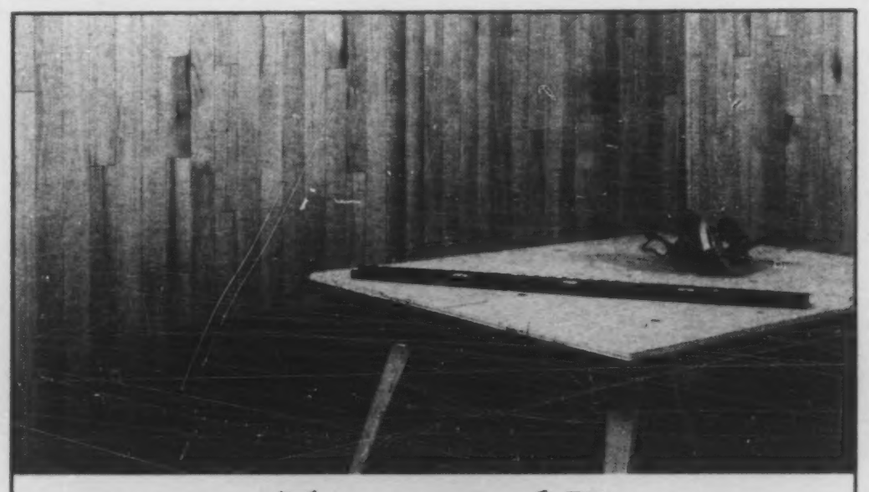

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LUMBER REPORT

Lumber price increase expected due to British Columbia strike

By Hawk Furman
Special to NHCN

No one expected a strike by the lumber workers in British Columbia this year. The more militant pulp and paper workers' union settled its contract talks without as much as a whimper earlier in the year and that union usually set precedent for the International Woodworkers of America union to follow. At this writing, although some companies have settled with the union, the strikes have escalated to shut down over 60 mills and put out of work over 18,000 workers.

Couple the lack of production with the threat of a countervailing duty, and the possibility of further price escalation in lumber becomes a reality.

Wages are not the issue being fought by the union. The I.W.A. has agreed to no wage increases but is adamant on the issue of "contracting out." The I.W.A. has lost 6,000 members in the past few years due to technological improvements which have eliminated jobs and contracting out former union jobs to outside parties.

The union wants a clause in the contract that prohibits companies from contracting out jobs held by its members. The union wants assurances that, once a union employee leaves his position, the same position will be filled by another union worker. Currently, management can replace a worker by contracting with a company or individual to fill that union job.

Management has also forced some union members to take lesser paying or less desirable jobs than they previously had by contracting out the employees' former jobs. Management is just as obstinate as the union on the "contracting out" issue because they want to maintain their competitiveness in the marketplace, and contracting out gives them flexibility and cost savings.

As an example, management might want to contract out mill maintenance which would save them paying overtime on weekends and holidays which they must pay to their current union employees.

British Columbia produces 60% of the lumber produced in Canada. With close to half the production capacity closed down for an extended period of time, the balance between supply and demand on softwood lumber in North America is being altered. The strike is keeping an estimated 30,000,000 bd. ft. of wood off the market every day.

Quietly, western Canadian spruce is being depleted from the eastern Canadian reloads while cargo lumber inventory on the eastern seaboard has dropped from over 200 million bd. ft. in July to under 160 million bd. ft. in late August. At these levels, many distributors are developing holes in specific widths and lengths of lumber.

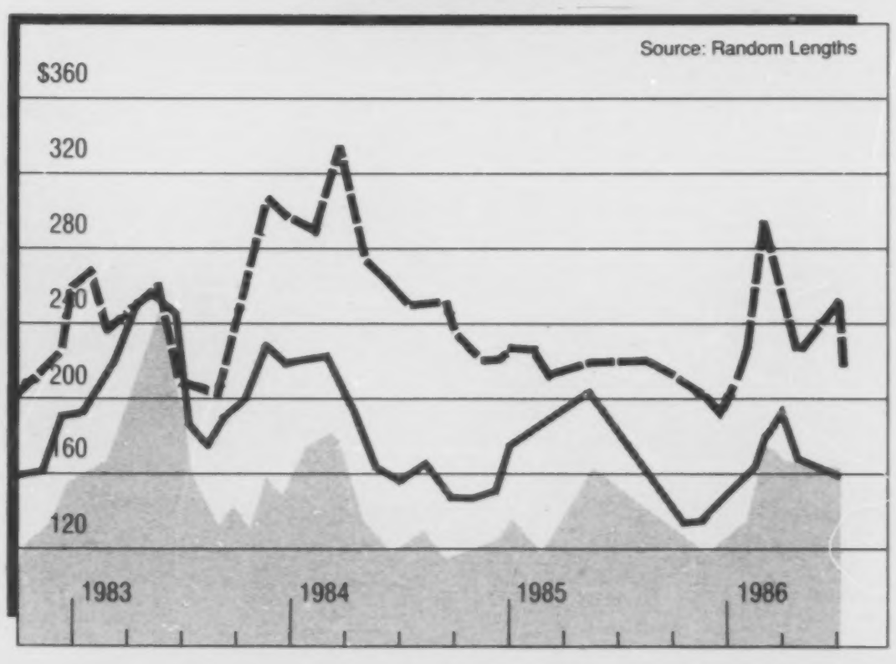
It appears the informal talks between U.S. and Canadian trade representatives on the western red cedar shingle and shake tariff have broken down. Meanwhile, the preliminary decision on the countervailing duty is to be made on Oct. 9.

It appears now that there will be a duty. Chances are good that the 27% asked for will be softened. Some "experts" predict a tariff in the 15% range. On $200 per thousand bd. ft. lumber, this amounts to $30 per thousand board feet or about $2,000 a carload.

The oversupplied and cheaply priced lumber of the past few years might, in the short term, become undersupplied and very expensive because of the supply disruption in British Columbia and countervailing duty.

Commodity close-up

Studs and Boards
Average mill monthly prices



Price points for studs and board have had uneven performances since May. Ponderosa pine #3 1x12 hit $246 a thousand board feet in June before dropping to a July average of $235. KD Southern pine (Western) 2x4 studs continued sliding from a March high of $201 a thousand board feet to a July average of $170 while KD s-p-f 2x4 held steady in June and July at $171 a thousand board feet.

L-P inks deal to buy timberland for $95M

PORTLAND, Ore. — Louisiana-Pacific Corp. has signed a nonbinding letter of intent to purchase all the California properties of Timber Realization Company for $95 million.

Timber Realization Company is a publicly traded limited partnership formed to operate and provide for the orderly disposition of timberland and related properties transferred to it by Masonite Corporation.

The purchase is subject to the approval of L-P's board of directors and a majority of Timber Realization Company's unit holders, to all necessary governmental approvals and a definitive purchase agreement.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 8/28

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Sept. '86	$188.20	$171.50	$186.30	$174.70	1,520	$188.20	$145.50
Nov.	$181.60	$162.20	$177.40	$166.80	3,558	$181.60	$146.00
Jan. '87	$178.70	$164.00	$175.10	$167.40	770	$178.70	$150.00
March	$178.30	$165.70	$174.30	$168.60	268	$178.30	$153.00
May	$177.10	$166.50	$173.50	$171.00	106	$177.10	$155.50
July	$177.00	$167.50	$174.00	$171.50	32	$177.00	$155.10
Sept.	$176.50	$168.50	$175.00	$173.50	13	$176.50	$165.00

Total Contract Vol. (Through 8/28): 23,622 **Previous Two Weeks: 16,597**
Total Open Interest (As of 8/28): 6,267 **Previous Week: 5,273**
Cash Price: $193.06 **Previous Week: $182.28** **Year Ago: $144.**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 8/28
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

ADVERTISING & MARKETING

Top metro markets exceed $53B in '85 sales

By an NHCN staff editor

NATIONAL REPORT — Building materials and hardware store sales in the nation's top 250 metro markets rose 9.5% to exceed $53 billion in 1985, according to Sales & Marketing Management's *1986 Survey of Buying Power.* Total U.S. building materials and hardware store sales were $74.5 billion last year, approximately 9% greater than the prior year.

The Los Angeles-Long Beach area continued to lead the way, posting nearly $1.9 billion last year, an 11.4% increase from the previous year for that super-competitive Southern California market, the battleground for such chains as Builders Emporium, HomeClub, Builders Square, Home Depot and National Lumber.

The survey by the New York-based publication, which yearly tracks demographic trends in U.S. markets, reflected last year's highly volatile marketplace developments that saw the Rustbelt rebound, the Oilbelt run dry and the birth of a new consumer group called the Baby Bust generation. Yet, the nation's largest markets for building materials and hardware sales were fairly static, with the top 14 metro markets remaining in exactly the same order as the year before.

Houston retained its No. 2 ranking with $1.42 billion in building materials and hardware store sales last year, up 7.6% from the previous year. But other areas like Chicago, $1.36 billion (up 8.8%); New York, $1.35 billion (up 11.1%); Philadelphia, $1.31 billion (up 14.3%); Boston, $1.22 billion (up 12%); and Detroit, $1.1 billion (up 9.9%), closed the gap somewhat on oil-depressed Houston.

And, two markets joined the $1 billion club in building materials and hardware store sales for the first time. No. 8 Atlanta held its ranking with $1.09 billion, a 17.6% increase, and the Nassau-Suffolk metro area again finished ninth with $1.02 billion, a 12.6% rise.

The only newcomer to the top 15 markets last year was Denver, which exchanged places with No. 16 Oklahoma City.

The top 50 building material and hardware store sales markets totaled $31.4 billion last year, a 10.1% gain from 1984.

Rustbelt rebound

The rebound in the Rustbelt can be seen more clearly in population and income trends, which the publication also tracks. According to *S&MM*, the Great Lakes region (Illinois, Indiana, Michigan, Minnesota, Ohio, Pennsylvania and Wisconsin) represents just one-sixth of the land area of the continental U.S., yet contains one-third the nation's population and labor force.

In terms of spending power, these Rustbelt states accounted for 33% of total U.S. personal income and 30% of the nation's retail sales, according to the publication. Minneapolis-St. Paul, Indianapolis and the Allentown-Bethlehem, Pa., area led the Midwest metros in population increase over the last five years.

Baby Busters

S&MM also made note of the reduced percentage of younger persons in the nation. In 1980, 13.3% of the total U.S. population were aged 18 to 24. By 1990, that figure is projected to fall to 10.3% and to just 9.2% by the year 2000. Metro areas with the largest percentage of their population in the 18-24 age bracket last year were Bryan-College Station, Tex. (32.8%); Jacksonville, N.C. (31.3%); and Lawrence, Kan. (29.1%).

In regional population growth, over the past five years, the Pacific and South Atlantic states showed the greatest percentage gains at 8.8% and 8.2%, respectively.

The bucks stop here

The Nassau-Suffolk metro area repeated as the most affluent market in the U.S. with a 1985 median household effective buying income of $38,289. According to *S&MM*, median effective buying income divides the markets income distribution into two equal parts, with one-half of the households above it and the other half below it—a reliable indicator of the area's relative income level because it is less likely to be skewed by statistical oddities.

Bridgeport-Stamford-Norwalk-Danbury, Conn., at $36,886; San Jose, Calif., at $35,702; and Middlesex-Somerset-Hunterdon, N.J., at $35,302 followed Nassau-Suffolk in median effective buying income.

Other demographic trends noted by the publication include a listing of the markets with the greatest percentage of their populations consisting of senior citizens. It comes as little surprise that most metros in Florida have a median age higher than the U.S. median of 31.9 years. In Charlotte, Fla., 59.3% of the population is aged 50 or above; in Pasco, 53.5%; in Citrus, 53.2%; Sarasota, 50.9%; and Hernando, 48.7%. Other elderly markets in the U.S. include Llano, Tex., with 56.6% of its population aged 50 or older; Sierra, N.M., 50.6%; and Baxter, Ark., 47.5%.

The *S&MM* data also shows the importance of minorities to marketing strategies. The leading black metro areas in total population in 1985 were New York (2.1 million), Chicago (1.4 million) and Los Angeles-Long Beach (1.0 million). The leading Hispanic metros were Los Angeles-Long Beach (2.5 million), New York (1.6 million) and Miami-Hialeah (739,600).

Building materials and hardware store sales

Area	($000)	Rank
Los Angeles - Long Beach	1,858,637	1
Houston	1,415,795	2
Chicago	1,364,090	3
New York	1,345,601	4
Philadelphia	1,313,137	5
Boston - Lawrence - Salem - Lowell - Brockton	1,217,998	6
Detroit	1,099,905	7
Atlanta	1,087,714	8
Nassau - Suffolk	1,019,174	9
Dallas	903,173	10
Washington	819,209	11
Minneapolis - St. Paul	764,977	12
St. Louis	760,142	13
Anaheim - Santa Ana	688,651	14
Denver	674,983	15
Oklahoma City	633,012	16
Riverside - San Bernardino	601,610	17
Phoenix	580,144	18
Tampa - St. Petersburg - Clearwater	577,523	19
Baltimore	543,893	20
Oakland	526,672	21
Pittsburgh	524,274	22
San Diego	522,138	23
Fort Worth - Arlington	518,494	24
San Francisco	503,287	25
Newark	501,972	26
Miami - Hialeah	501,871	27
Seattle	496,047	28
San Antonio	463,007	29
Kansas City	447,931	30
Austin	447,293	31
Bergen - Passaic	436,631	32
New Orleans	425,131	33
Sacramento	423,999	34
Cleveland	416,287	35
San Jose	403,358	36
Charlotte - Gastonia - Rock Hill	390,446	37
Orlando	371,199	38
Indianapolis	366,872	39
Cincinnati	366,273	40
Norfolk - Virginia Beach - Newport News	347,184	41
Hartford - New Britain - Middletown - Bristol	328,151	42
Columbus, Ohio	322,479	43
Bridgeport - Stamford - Norwalk - Danbury	317,631	44
Tulsa	304,185	45
Anchorage	302,872	46
Monmouth - Ocean	302,384	47
Fort Lauderdale - Hollywood - Pompano Beach	296,286	48
Middlesex - Somerset - Hunterdon	295,029	49
Salt Lake City - Ogden	291,980	50
Total Top 50	**31,430,731**	
Greensboro - Winston-Salem - High Point	286,961	51
Milwaukee	286,075	52
Baton Rouge	270,760	53
Rochester, N.Y.	254,339	54
West Palm Beach - Boca Raton - Delray Beach	248,083	55
Jacksonville, Fla.	239,674	56
Providence - Pawtucket - Woonsocket	235,435	57
Portland, Ore.	232,267	58
Louisville	229,753	59
New Haven - Waterbury - Meriden	228,977	60
Albany - Schenectady - Troy	228,187	61
Raleigh - Durham	218,795	62
Greenville - Spartanburg	218,326	63
Omaha	217,535	64
Richmond - Petersburg	216,593	65
Akron	214,912	66
Nashville	208,814	67
Grand Rapids	205,364	68
Knoxville	204,501	69
Dayton - Springfield	201,515	70
Little Rock - North Little Rock	198,493	71
Memphis	197,909	72
Las Vegas	196,440	73
Harrisburg - Lebanon - Carlisle	190,279	74
Scranton - Wilkes-Barre	189,690	75
Springfield, Mass.	188,731	76
Tacoma	185,522	77
Buffalo	184,557	78
Wichita	184,342	79
Birmingham	176,650	80
Syracuse	174,159	81
Lafayette, La.	170,989	82
Allentown - Bethlehem	167,447	83
Portsmouth - Dover - Rochester	158,720	84
Albuquerque	157,400	85
El Paso	156,507	86
Corpus Christi	154,516	87
Worcester - Fitchburg - Leominster	154,049	88
Shreveport	153,249	89
McAllen - Edinburg - Mission	152,696	90
Santa Rosa - Petaluma	150,164	91
Beaumont - Port Arthur	148,821	92
Gary - Hammond	148,331	93
Tucson	147,348	94
Odessa	145,807	95
Lancaster	145,176	96
Wilmington, Del.	142,800	97
Oxnard - Ventura	141,524	98
Toledo	138,909	99
Fresno	138,778	100
Total Top 100	**41,017,600**	
Lakeland - Winter Haven	138,667	101
Manchester - Nashua	138,226	102
Lake Charles	138,053	103
Columbia, S.C.	137,404	104
Bakersfield	137,136	105
Charleston, S.C.	137,068	106
Colorado Springs	137,041	107
Midland, Tex.	135,939	108
Santa Barbara - Santa Maria - Lompoc	135,195	109
Sarasota	133,540	110
Amarillo	132,157	111
Portland, Me.	131,352	112
Flint	130,025	113
Lubbock	129,607	114
Lake County, Ill.	129,451	115
Abilene	129,091	116
York	127,043	117
Johnson City - Kingsport - Bristol	125,964	118
Mobile	123,944	119
Fort Pierce	121,436	120
Canton	120,050	121
Augusta	119,489	122
Fort Myers - Cape Coral	118,434	123
Youngstown - Warren	116,287	124
Melbourne - Titusville - Palm Bay	116,025	125
Galveston - Texas City	115,762	126
Daytona Beach	115,608	127
Saginaw - Bay City - Midland	114,438	128
Aurora - Elgin	112,065	129
Atlantic City	111,655	130
Lansing - East Lansing	111,580	131
Evansville	110,145	132
Ocala	108,996	133
Honolulu	108,834	134
New Bedford - Fall River - Attleboro	106,923	135
Des Moines	106,500	136
Brownsville - Harlingen	106,435	137
Stockton	104,721	138
Boulder - Longmont	101,100	139
Jersey City	100,009	140
Duluth	99,810	141
Reno	99,286	142
Fort Wayne	99,161	143
Modesto	98,107	144
Vallejo - Fairfield - Napa	97,614	145
Orange County, N.Y.	97,477	146
Chattanooga	97,173	147
New London - Norwich	96,883	148
Santa Cruz	95,117	149
Hickory	94,399	150
Total Top 150	**46,866,022**	
Pensacola	93,722	151
Davenport - Rock Island - Moline	92,976	152
Longview - Marshall	92,188	153
Charleston, W.Va.	92,104	154
Salinas - Seaside - Monterey	90,387	155
Waco	88,961	156
Fort Collins - Loveland	88,736	157
Asheville	88,585	158
Brazoria	87,925	159
Ann Arbor	87,681	160
Madison	87,227	161
Jackson, Miss.	85,857	162
Houma - Thibodaux	85,762	163
Tallahassee	85,631	164
Spokane	85,399	165
Huntington - Ashland	84,969	166
Visalia - Tulare - Porterville	84,825	167
Rockford	84,605	168
Peoria	84,509	169
Joliet	83,573	170
St. Cloud	83,120	171
Trenton	77,991	172
Springfield, Mo.	77,977	173
Wichita Falls	77,364	174
Appleton - Oshkosh - Neenah	77,292	175
Fort Smith	77,087	176
Johnstown	76,625	177
Macon - Warner Robins	76,100	178
Billings	75,175	179
Lexington-Fayette	74,900	180
Poughkeepsie	74,789	181
Utica - Rome	74,080	182
Tyler	73,713	183
Fayetteville, N.C.	71,522	184
Gainesville	70,749	185
Bryan - College Station	70,723	186
Burlington, Vt.	70,201	187
Kalamazoo	69,392	188
Reading	68,937	189
Savannah	68,412	190
Naples	67,743	191
Springfield, Ill.	66,212	192
Laredo	65,349	193
Chico	64,401	194
Bradenton	64,291	195
Pittsfield	64,147	196
Erie	64,111	197
Monroe	63,447	198
Killeen - Temple	62,738	199
San Angelo	62,736	200
Total Top 200	**50,752,968**	
Montgomery	61,651	201
Lincoln	61,357	202
Wilmington, N.C.	61,291	203
Roanoke	60,970	204
Eugene - Springfield	60,710	205
Binghamton	60,351	206
Topeka	60,229	207
Terre Haute	59,121	208
Redding	58,915	209
Cedar Rapids	58,769	210
Huntsville	57,950	211
Fort Walton Beach	57,892	212
Sherman - Denison	57,105	213
Provo - Orem	56,796	214
Florence, S.C.	56,783	215
Alexandria, La.	56,772	216
Bangor	56,638	217
Salem, Ore.	56,048	218
State College	55,751	219
Anderson, S.C.	55,699	220
Eau Claire	55,072	221
Champaign - Urbana - Rantoul	54,381	222
Texarkana	53,312	223
Charlottesville	53,206	224
South Bend - Mishawaka	53,055	225
Victoria	52,607	226
Fargo - Moorhead	52,401	227
Santa Fe	50,872	228
Green Bay	50,672	229
Boise	50,506	230
Hagerstown	48,955	231
Parkersburg - Marietta	48,584	232
Muncie	48,273	233
Biloxi - Gulfport	47,915	234
Bremerton	47,629	235
Fayetteville - Springdale	47,460	236
Rochester, Minn.	47,206	237
Lynchburg	46,970	238
Elkhart - Goshen	46,316	239
Lorain - Elyria	46,271	240
Athens	46,259	241
Bellingham	45,829	242
Sioux Falls	45,632	243
Sioux City	44,838	244
Bloomington - Normal	44,239	245
Wheeling	43,400	246
Altoona	43,139	247
Tuscaloosa	43,095	248
Benton Harbor	43,008	249
Lima	42,626	250
Total Top 250	**53,367,494**	
Yakima	42,251	251
Glens Falls	42,201	252
Lafayette - West Lafayette	42,028	253
Olympia	41,597	254
Yuba City	41,311	255
Clarksville - Hopkinsville	41,120	256
Decatur	40,989	257
Hamilton - Middletown	40,936	258
Racine	40,774	259
Jackson, Mich.	40,577	260
Jackson, Tenn.	40,013	261
Wausau	39,702	262
Columbus, Ga.	39,320	263
Mansfield	39,308	264
Merced	38,870	265
Jacksonville, N.C.	38,694	266
Waterloo - Cedar Falls	38,576	267
Dothan	38,468	268
Joplin	38,172	269
Burlington, N.C.	37,869	270
Steubenville - Weirton	37,553	271
Casper	37,491	272
Pueblo	37,393	273
Muskegon	37,306	274
Pine Bluff	37,188	275
Richland - Kennewick - Pasco	37,049	276
Rapid City	36,877	277
Albany, Ga.	36,766	278
Niagara Falls	36,686	279
Greeley	36,323	280
Panama City	35,895	281
Kokomo	35,524	282
Owensboro	34,763	283
Lawton	34,422	284
Vancouver	34,397	285
Beaver County, Pa.	34,038	286
Florence, Ala.	33,327	287
Janesville - Beloit	32,840	288
Williamsport	32,097	289
La Crosse	32,026	290
Columbia, Mo.	31,516	291
Sharon	31,466	292
Battle Creek	30,483	293
Enid	30,351	294
Medford	30,166	295
Bismarck	30,091	296
Anderson, Ind.	29,709	297
Sheboygan	29,619	298
Vineland - Millville - Bridgeton	29,127	299
Danville, Va.	28,982	300
Cheyenne	27,589	301
Kankakee	27,281	302
Iowa City	26,712	303
Las Cruces	25,872	304
Bloomington, Ind.	25,354	305
Anniston	24,983	306
Lewiston - Auburn	24,901	307
Dubuque	24,147	308
Cumberland	24,139	309
Great Falls	22,878	310
Elmira	22,336	311
St. Joseph	21,471	312
Grand Forks	21,029	313
Gadsden	20,799	314
Kenosha	20,649	315
Pascagoula	20,363	316
Lawrence, Kans.	18,825	317

Total Above Areas . . . 55,581,069
Percent of U.S. 74.5821
U.S. Total 74,523,377

Source: Sales and Marketing Management's *1986 Survey of Buying Power.*

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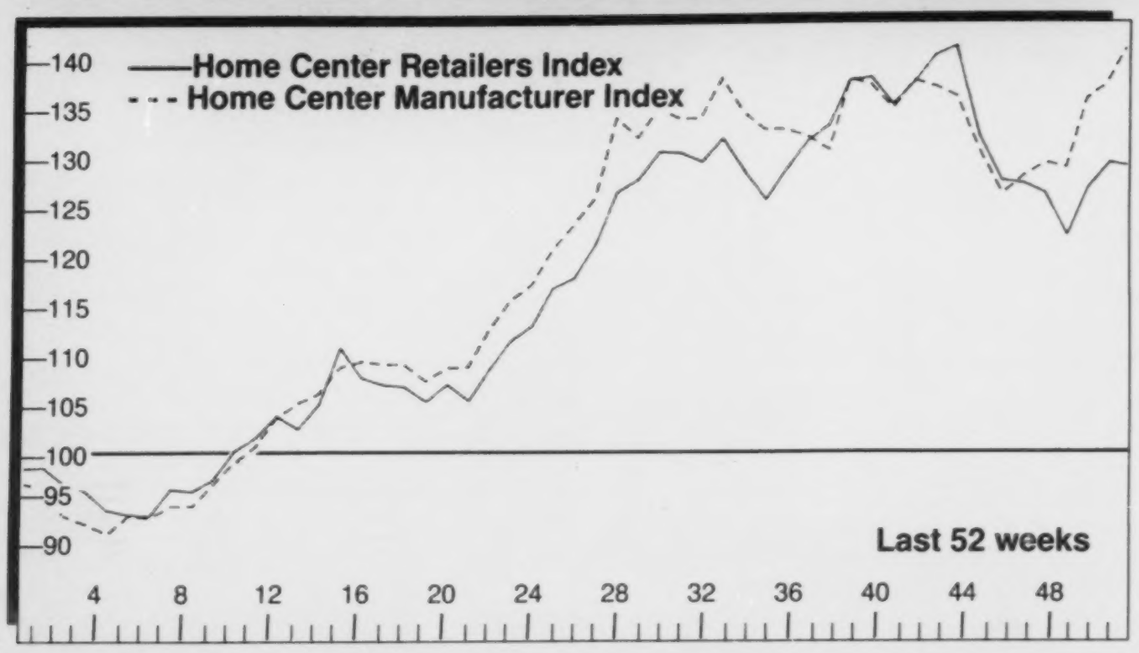
FINANCIAL NEWS

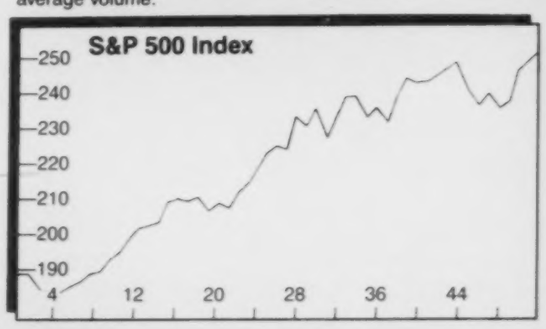


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
9-05-86	(100)	%	%
Owens Corning N	152,145	348.3	2.8
SW Forest Ind N	13,607	254.6	14.8
Hechinger A M	9,750	249.8	16.1
Color Tile M	20,599	246.4	10.6
Weyerhaeuser N	49,989	245.9	5.5
Georgia-Pacific N	49,827	214.4	5.8
USG Corp N	22,384	198.2	5.3
Manville Cp N	12,528	186.8	.0
Am Standard N	15,072	186.4	7.0
La Pacific N	10,616	178.6	1.8

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 9-05-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
SW Forest Ind N	17.50	14.8	13,607
Color Tile M	30.13	10.6	20,599
Boise Cascade N	61.00	7.5	12,910
Am Standard N	40.00	7.0	15,072
Supermkts Gen N	31.00	6.9	3,970
Georgia-Pacific N	36.38	5.8	49,827
Walter, Jim N	53.00	5.5	11,902
Weyerhaeuser N	38.25	5.5	49,989
USG Corp N	42.13	5.3	22,384
Emhart Corp N	36.75	5.0	3,722
Losers	**$**	**%**	**(100)**
Hechinger A M	18.25	- 16.1	9,750
Hechinger B M	19.00	- 13.6	843
Lowe's Cos N	26.38	- 9.4	12,903
Zayre Corp N	27.25	- 8.8	38,591
Certain-teed N	28.50	- 6.6	3,567
Waxman Ind M	14.75	- 6.3	1,194
Sears, Roebuck N	44.88	- 6.0	95,523
Pay N Pak N	14.00	- 5.1	2,448
Scotty's Inc N	14.13	- 5.0	761
Std Brd Pnt N	23.88	- 5.0	4,653

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 9-05-86 $	2-Weeks Change: Amt. $	2-Weeks Change: Pct. %	2-Week Range: High $	2-Week Range: Low $	52-Week Range: High $	52-Week Range: Low $	Volume: 2-Weeks Shares Traded: Total (100)	Volume: 2-Weeks Shares Traded: % Out %	Volume: 12-Week Avg. Vol. As % Out %	Volume: Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate: Amt. $	Indicated Divd. Rate: Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue: Amt. $Mil	Latest Quarter: Revenue: Chg. %	Latest Quarter: Net Income: Amt. $Mil	Latest Quarter: Net Income: Chg. %	Latest Quarter: E.P.S.: Amt. $	Latest Quarter: E.P.S.: Chg. %	Year-to-Date: Revenue: Amt. $Mil	Year-to-Date: Revenue: Chg. %	Year-to-Date: Net Income: Amt. $Mil	Year-to-Date: Net Income: Chg. %	Year-to-Date: E.P.S.: Amt. $	Year-to-Date: E.P.S.: Chg. %
Retailers																													
Color Tile M	30.13	2.88	10.6	30.50	26.50	30.50	16.88	20,599	21.72	6.27	246.4	19.1	.00	.0	NEW	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber M	14.50	.38	2.7	15.00	14.00	19.25	5.75	126	.38	.72	- 47.2	8.3	.00	.0	.....	6 mos.	06-86	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent A	33.00	- .25	- .8	33.50	32.63	33.50	22.00	45	.06	.04	50.0	45.2	.30	.9	.....	3 mos.	04-86	88.0	19.4	.2	.0	.03	50.0	88.0	19.4	.2	.0	.03	50.0
Grace W R N	50.25	.00	.0	51.50	48.75	60.75	35.50	12,236	2.94	2.29	28.4	15.5	2.80	5.6	.....	6 mos.	06-86	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman A	30.75	.50	1.7	30.88	30.25	36.00	21.75	169	.66	.44	50.0	13.3	.20	.7	NEW	6 mos.	06-86	50.2	- 2.3	2.2	- 12.0	.85	- 14.1	112.8	- .6	2.0	- 60.0	.79	- 60.1
Hechinger A M	18.25	- 3.50	- 16.1	21.25	18.25	23.59	12.81	9,750	8.92	2.55	249.8	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	19.00	- 3.00	- 13.6	21.50	19.00	23.59	12.81	843	.51	.33	54.5	22.9	.06	.3	NEW	6 mos.	07-86	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot N	20.00	.50	2.6	20.50	19.25	21.75	10.50	9,798	3.89	1.75	122.3	31.7	.00	.0	.....	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc N	43.88	.38	.9	44.25	42.38	47.63	31.38	7,329	2.56	1.13	126.5	14.5	1.60	3.6	.....	3 mos.	05-86	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp N	52.13	- .75	- 1.4	53.38	49.88	57.38	30.63	53,581	4.25	2.41	76.3	23.0	1.48	2.8	.....	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos N	26.38	- 2.75	- 9.4	29.25	26.13	41.50	20.75	12,903	3.30	1.83	80.3	16.7	.40	1.5	NEW	6 mos.	07-86	657.8	10.4	21.2	1.4	.54	- 6.9	1191.8	13.7	32.6	- .6	.85	- 6.6
Mich General A	2.75	- .13	- 4.3	2.88	2.63	5.25	2.25	1,263	1.11	1.42	- 21.8	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods M	9.75	- .25	- 2.5	9.75	9.50	10.25	5.50	91	.74	1.52	- 51.3	20.3	.00	.0	NEW	6 mos.	07-86	10.9	5.8	.4	100.0	.28	27.3	17.4	2.4	.4	33.3	.31	34.8
Natl Lumber M	5.00	.00	.0	5.25	4.75	7.00	4.00	783	1.39	.50	178.0	NE	.00	.0	NEW	*	07-86	NC	NC	NC	NC	NC	NC	72.7	NC	(.7)	NC	(.12)	NC
Pay N Pak N	14.00	- .75	- 5.1	15.25	13.75	19.38	11.63	2,448	2.45	1.51	62.3	16.7	.64	4.6	.....	3 mos.	05-86	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash N	20.00	.25	1.3	20.50	18.88	27.50	13.50	8,181	2.36	1.84	28.3	16.7	.16	.8	.....	6 mos.	05-86	428.8	14.1	15.6	20.0	.45	15.4	703.3	11.5	18.0	23.3	.52	18.2
Scotty's Inc N	14.13	- .75	- 5.0	15.00	14.13	18.13	12.38	761	.53	.40	32.5	13.3	.52	3.7	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck N	44.88	- 2.88	- 6.0	47.25	43.88	50.38	31.75	95,523	2.61	1.10	137.3	12.8	1.76	3.9	NEW	6 mos.	06-86	10750.2	9.3	284.9	7.3	.77	6.9	20140.5	8.3	480.2	- 1.8	1.29	- 2.3
Svc Merchandise M	9.63	.13	1.3	9.88	9.38	15.63	8.25	34,710	10.42	4.85	114.8	NE	.08	.8	.....	6 mos.	06-86	626.6	14.8	(9.3)	- 100.0	(.27)	- 100.0	1083.7	21.4	(38.5)	NE	(1.15)	NE
Std Brd Pnt N	23.88	- 1.25	- 5.0	25.25	23.13	25.75	18.75	4,653	23.00	11.75	95.7	18.9	.58	2.4	.....	3 mos.	04-86	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen N	31.00	2.00	6.9	32.25	27.75	32.25	19.94	3,970	1.03	.86	19.8	17.2	.28	.9	NEW	6 mos.	07-86	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos A	5.00	.00	.0	5.38	4.88	7.00	3.88	72,107	4.06	2.35	72.8	18.5	.00	.0	NEW	6 mos.	07-86	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	NE
Wolohan Lumber M	8.63	- .13	- 1.4	8.88	8.50	10.75	5.25	960	1.64	1.86	- 11.8	12.3	.16	1.9	.....	6 mos.	06-86	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp N	27.25	- 2.63	- 8.8	29.88	26.88	43.88	23.88	38,591	6.54	2.80	133.6	18.0	.32	1.2	.....	6 mos.	07-86	1212.7	35.4	9.0	- 43.8	.15	- 44.4	2257.2	33.9	25.7	- 17.6	.43	- 20.4
Wholesalers																													
Lewis Palmer M	9.25	.13	1.4	9.38	8.63	9.88	6.38	835	2.13	1.41	51.1	29.8	.28b	3.0	NEW	6 mos.	07-86	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanline Inc M	9.50	- .25	- 2.6	10.25	8.75	12.75	6.13	370	2.29	1.78	28.7	11.0	.28	2.9	.....	6 mos.	04-86	14.0	1.4	.3	.0	.22	- 4.3	27.4	- .7	.6	.0	.38	- 17.4
Manufacturers																													
Allegheny Int N	18.00	- .25	- 1.4	18.50	16.25	28.75	11.38	4,860	4.52	2.50	80.8	NE	.00	.0	.....	6 mos.	06-86	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard N	40.00	2.63	7.0	41.00	36.00	46.88	27.00	15,072	4.01	1.40	186.4	7.9	1.60	4.0	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Armstrng Wrld N	59.88	2.13	3.7	61.38	57.00	69.88	31.88	6,056	2.51	1.36	84.6	13.4	1.44	2.4	.....	6 mos.	06-86	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker N	17.00	- .50	- 2.9	18.13	16.50	25.25	14.50	19,362	3.34	2.09	59.8	25.8	.40	2.4	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade N	61.00	4.25	7.5	61.38	56.00	61.38	39.63	12,910	4.41	1.96	125.0	19.3	1.90	3.1	.....	6 mos.	06-86	945.1	- .8	31.3	- 1.3	1.07	.0	1861.7	- 2.5	56.3	- 13.4	1.90	- 13.2
Certain-teed N	28.50	- 2.00	- 6.6	30.75	28.38	38.50	22.38	3,567	1.88	.95	97.9	9.9	.90	3.2	.....	6 mos.	06-86	286.1	- 1.7	16.2	- 1.8	.85	1.2	541.1	- .5	26.7	8.1	1.41	12.8
Champ Intl N	27.00	.38	1.4	27.75	25.88	29.75	20.25	42,421	4.48	1.86	140.9	18.6	.52	1.9	.....	6 mos.	06-86	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc N	38.00	- 1.50	- 3.8	39.75	37.50	41.38	31.50	382	.80	.54	48.1	12.7	1.40	3.7	.....	6 mos.	06-86	131.5	2.8	4.9	- 23.4	1.02	- 23.9	228.3	3.3	7.3	1.4	1.53	1.3
Emhart Corp N	36.75	1.75	5.0	37.00	34.63	42.63	26.38	3,722	1.22	.66	84.8	13.6	1.40	3.8	.....	6 mos.	06-86	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Georgia-Pacific N	36.38	2.00	5.8	36.75	33.00	36.75	20.63	49,827	4.81	1.53	214.4	23.6	.80	2.2	.....	6 mos.	06-86	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp N	21.38	- .38	- 1.7	23.13	21.25	24.75	16.63	2,185	1.11	1.14	- 2.6	15.5	1.00	4.7	.....	6 mos.	06-86	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific N	27.75	.50	1.8	28.50	26.50	30.13	17.13	10,616	2.87	1.03	178.6	22.6	.80b	2.9	.....	6 mos.	06-86	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel M	27.13	- .50	- 1.8	27.50	26.75	28.63	12.47	313	.10	.12	- 16.7	NA	.50b	NA	.....	6 mos.	06-86	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp N	2.38	.00	.0	2.38	2.00	8.88	2.00	12,528	5.22	1.82	186.8	NE	.00	.0	.....	6 mos.	06-86	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp N	29.50	.88	3.1	30.63	28.13	34.50	15.25	16,469	1.28	.72	77.8	20.9	.32	1.1	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds M	14.50	- .25	- 1.7	14.50	14.50	19.25	14.25	22	.09	.22	- 59.1	15.9	.01	.1	NEW	6 mos.	06-86	48.3	- 9.9	.8	- 52.9	.32	- 53.6	100.7	- 5.0	1.5	- 55.9	.60	- 55.2
Newell Co N	28.00	.63	2.3	28.63	24.88	36.75	16.25	2,676	2.39	1.48	61.5	13.3	.70	2.5	.....	6 mos.	06-86	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning N	79.50	- 2.25	- 2.8	81.75	77.75	82.50	32.13	152,145	51.06	11.39	348.3	16.8	1.40	1.8	.....	6 mos.	06-86	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem A	12.38	.38	3.1	12.38	11.25	15.50	10.00	1,909	2.60	1.58	64.6	14.2	.12	1.0	.....	6 mos.	06-86	59.1	38.1	2.4	166.7	.30	100.0	109.7	31.4	4.4	120.0	.56	60.0
Pope & Talbot N	21.00	.63	3.1	22.00	20.38	24.75	16.75	994	1.66	.74	124.3	22.1	.80	3.8	.....	6 mos.	06-86	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp N	58.25	- 1.50	- 2.5	59.50	57.75	60.00	33.00	2,471	1.89	.87	117.2	17.9	1.56	2.7	.....	6 mos.	06-86	249.9	.5	19.5	85.7	1.40	129.5	483.2	.0	33.1	50.5	2.35	83.6
Sherwin-Wms N	26.38	- .75	- 2.8	27.00	25.50	32.25	16.63	11,269	2.45	1.82	34.6	15.9	.50	1.9	.....	6 mos.	06-86	598.3	- 1.4	30.5	7.0	.65	4.8	1101.0	.2	37.4	9.4	.80	6.7
SW Forest Ind N	17.50	2.25	14.8	17.50	15.00	17.50	9.88	13,607	13.44	3.79	254.6	NE	.00	.0	.....	6 mos.	06-86	158.5	- 11.4	(4.0)	NE	(.25)	NE	301.0	- 13.8	(12.0)	NE	(1.19)	NE
Stanley Works N	41.13	1.50	3.8	41.88	39.25	46.25	27.63	4,039	1.45	.87	66.7	14.2	1.14	2.8	.....	6 mos.	06-86	402.6	29.1	20.5	6.8	.73	4.3	726.8	23.4	35.2	6.0	1.26	3.3
Thos Inds N	21.50	- .50	- 2.3	22.25	21.25	26.75	16.19	906	1.01	.47	114.9	11.6	.68b	3.2	.....	6 mos.	06-86	77.1	- 2.3	4.3	10.3	.47	4.4	147.9	- 3.2	7.5	5.6	.83	5.1
USG Corp N	42.13	2.13	5.3	44.25	39.00	44.25	18.31	22,384	3.31	1.11	198.2	11.2	1.12	2.7	.....	6 mos.	06-86	752.6	16.6	76.2	23.5	1.15	25.0	1374.7	11.4	127.9	22.7	1.96	25.6
Walter, Jim N	53.00	2.75	5.5	54.63	49.25	54.63	26.00	11,902	4.10	2.23	83.9	19.9	1.40	2.6	.....	9 mos.	05-86	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind M	14.75	- 1.00	- 6.3	16.25	14.75	17.13	10.00	1,194	3.80	2.14	77.6	16.4	.08	.5	NEW	fiscal	06-86	27.7	30.0	1.0	100.0	.32	39.1	97.8	18.3	2.8	27.3	.90	1.1
Weyerhaeuser N	38.25	2.00	5.5	38.75	35.38	40.25	24.75	49,989	3.84	1.11	245.9	26.6	1.30	3.4	.....	6 mos.	06-86	1497.4	6.9	68.4	14.6	.46	12.2	2804.1	4.8	118.4	20.9	.77	18.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Scotty's scales down expansion plans for year

(Continued from page 2)
goal in fiscal 1986—growing 12% in retail square footage," said Dennis Stults, Scotty's president and chief operating officer.

'Unsuitable' older stores

Last month, Scotty's reported that fiscal 1986 sales reached a record high, increasing 9% over 1985, but net income was down 23%, reflecting heavy investments in store expansion and support facilities.

The company still plans to stick to its previously stated goal of opening 13 newly constructed full-line Scotty's home centers, including seven replacement stores, and approximately 15 Scotty's Hardware stores by June of 1987. Despite the six store closings, the chain will still add over 10% in new store square footage under the revised plan, said Scotty's vp and sales promotion manager Dave Bryant.

All six stores had been operating in older, outdated facilities, unsuitable for conversion to the larger, retail-oriented format. Two were in Tampa and one each in Riviera Beach on Florida's lower east coast, in St. Petersburg, Tallahassee and Lauderhill.

"They were in areas where the market had shifted," said Bryant. "Some were built in the days when we located near railroad sidings and are now industrialized. The retail moved into other areas, where we now have or are placing stores."

Stults and Bryant said that Scotty's has no plans to close any other stores.

"We felt it was the best decision to close these six locations; sell them and redeploy the capital and people in new store locations where the long-term potential for sales and profit growth offers a better return on our investment," said Stults.

Record sales, but income off

For the year ended June 28, Scotty's net income totaled $13.5 million, compared with $17.5 million in the prior year. Sales were $493.9 million, up from $453.4 million.

Fourth quarter earnings were down 31% to $3.8 million, from $5.5 million in 1985's comparable period. Sales in the quarter were up 12% to $134.6 million, from $120.4 last year. Comparable store sales were up 6.8%.

Cash flow from operations was approximately $27 million, double the net income, reflecting among other things "substantially higher depreciation associated with Scotty's ambitious expansion program," said Harold Taylor, senior vp and chief financial officer.

During the just-completed fiscal year, Scotty's opened four new full-line stores; retrofitted 11 stores to conform to the new store format; replaced two stores; and opened 12 Scotty's Hardware stores.

In the past two years, the company invested more than $30 million in support facilities, including a major expansion of its central distribution center, a new management information system with point-of-sale computer terminals and a new manufacturing facility for roof trusses, vanities and prehung doors.

Taylor also said that retail consumer sales were up approximately 11% in 1986. Annual sales to professional builders rose approximately 2% but have posted larger increases during the past four months, climbing 11% in the fourth quarter. Builder sales constituted some 24% of total sales.

Scotty's financial position remains strong, said Taylor, with a healthy 2.4-to-1 current ratio.

Home centers post modest same store sales gains in 2Q

(Continued from page 1)
Yet much of these increases came from three chains—Hechinger, Home Depot and Scotty's—which experienced same store sales increases of 2% or less during the first quarter. Several other large chains experienced declines in same store sales increases.

Despite somewhat disappointing results in same store sales, the industry continued to rack up solid sales gains as major players built new units.

Overall, Lowe's reported sales for the first six months were up by 13.7% to $1,191,837,000. Hechinger sales for the same period increased by 22.6% to $299,035,000. And The Home Depot experienced a 52.2% increase in sales to $486,052,000.

Projections more cautious

With the first half of 1986 under their belts, many home center executives, like Lightstone, are reassessing their forecasts for the remainder of 1986. The feeling seems to be that the year will turn out to be a good, but not great, environment for fueling revenues and profits.

"Consumers seem to be very cautious," said William A. Loftus, vp-sales for Ace Hardware, the $1 billion buying group based in Oak Brook, Ill. "Everyone seems to be doing spectacular things to get [customers] to spend their money, but they don't seem to be responding." Ace experienced a 4.5% increase in sales during the second quarter, considerably below its 8% projection. For the first quarter, it got 3.3% after expecting 6%.

"The problem seems to be a lackluster economy and intense market competition, combined with a consumer who is treading water because of confusion about tax reform," said Loftus.

Builder Marts of America, the $555 million dealer services group in Greenville, S.C., reported a good second quarter but emphasized that its dealer base was concerned about the rest of the year. "There is not a lot of confidence from our dealers," said Tom McAbee, vp-finance for the 1,600-dealer BMA.

At The Home Depot, Atlanta, the second quarter brought a rebound in same store sales, to 5%. "It's too soon to draw any conclusions about what the consumer is doing," noted cfo Ron Brill. "With all of the refinancing of homes earlier in the year, there was some feeling consumers would go out and spend that money. But it looks as though they are using the cash to pay off their revolving credit agreements."

Sales spotty nationwide

Local conditions seemed to be impacting retailers as much as—or more than—larger economic factors.

Consumers seemed to exhibit the most enthusiasm in New England. Mid-Cape Home Centers, Orleans, Mass., said the second quarter rebounded from the first, but rapidly rising land prices meant consumers were spending more on remodelings than on new homes. The company has introduced a program to expand its line of appliances and kitchen and bath to encourage such project sales.

National Hardgoods Distributors, Stoughton, Mass., also reported a stronger second quarter.

Erb Lumber and Wolohan Lumber continued to experience stronger same store sales from the Detroit marketplace. And Hill-Behan reported good results in key markets. "Single and multifamily permits were up 41% in the state of Illinois, so our builder business has been very strong in Chicago, as has our competition's," said Pat Behan, vp for the St. Louis-based company.

The South suffered from problems in the energy industries. "I doubt the area will get any better until the gas and oil industries improve," said Behan, whose company has 12 of its 35 stores in Mississippi and Louisiana.

Lowe's, which operates 295 stores primarily in the South Atlantic and South Central regions, experienced same store sales increases of 5.4% for the second quarter. That represents a less robust performance than the 8.0% increase clocked during the first quarter.

Lowe's attributed much of the softening to problems in the states of Texas and Oklahoma, where the economy has been impacted by problems in the oil industry.

On an overall basis, Lowe's reported sales of $657.8 million for the second quarter, up 10% over the same quarter of 1985.

Sales were flat for the quarter at Builderama, the chain of six stores based in Savannah, Ga. Last month, the company started a new advertising campaign that used television for the first time in many years.

On the West Coast, the usual heavy competition brought about a loss for the quarter at National Lumber, Fountain Valley, Calif., and softer same store sales increases at Handyman in San Diego.

"We're staying quiet to improve our bottom line," noted V. J. Carnevale, cfo for National, speaking of his company's decision to cease opening new stores in 1986. He added that August was a better month than the previous one for National and that the company saw definite signs of improvement for the remainder of the year.

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Performance Analysis Second Quarter Ended 7-31-86

	Same Store Sales (% increase)	Total Sales ($ million)	Change From 2Q 1985 (%)	Earnings ($ million)	Change From 2Q 1985 (%)
Erb Lumber	+16.0%	$ 60.5	12.4%	$ 2.2	− 5.1%
Handyman	2.3	50.2	− 2.3	2.2	− 10.6
Hechinger	7.0	162.1	25.4	8.4	16.5
The Home Depot	5.0	263.4	51.2	7.1	185.3
Lowe's	5.4	657.8	10.4	21.3	1.9
National Hardgoods Distributors	9.4	10.9	5.4	0.4	30.9
National Lumber	N/A	40.3	9.8	− 0.1	*
Scotty's	6.8	134.6	11.8	3.8	− 31.3
Standard Brands Paint	−10.5	89.2	− 6.6	4.8	− 12.1
Wolohan	22.0	55.1	26.8	1.8	29.7

The three month period ended around June 30 for Erb Lumber, Handyman, Scotty's and Wolohan.
N/A—Not available. *National Lumber had $504,000 in income during the second quarter of 1985.
Source: Company reports. *NHCN* chart.

Home centers in the East and in the Detroit area reported a rebound in consumer and contractor spending in the second quarter. Some chains elsewhere experienced local economic problems or intense competition.

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Color Tile accepts General Felt buyout bid

By Phillip M. Perry
NHCN staff editor

FT. WORTH, Texas — Color Tile, the chain of 844 specialty stores in the United States and Canada, formally agreed last month to be acquired by General Felt Industries (GFI), the Saddle Brook, N.J.-based company that owns a controlling interest in Michigan General, the parent company of Diamond Lumber.

The move is contingent upon the ability of GFI to acquire 50.5% of the outstanding shares of Color Tile during a tender offer period that began Sept. 17 and was scheduled to end on Oct. 15.

The agreement on the part of Color Tile was made upon the recommendation of Salomon Brothers, the investment firm which Color Tile had retained to provide an opinion. Barry W. Witt, vp and treasurer of Color Tile, said that Salomon Brothers had recommended that the company accept the GFI bid because it was higher than a competing bid from Merrill Lynch Capital Partners.

(Continued on page 93)

New K mart strategic plan aims for bigger ticket sales

By an NHCN staff editor

TROY, Mich. — K mart last month unveiled a $3 billion, five-year strategic plan whose main components include the promotion of higher-end merchandise sold in larger "power departments" to generate bigger ticket sales, rapid expansion of its specialty retailing operations and the installation in all its stores of a $500 million retail automation system.

The plan—which will be capitalized through internally-generated funds—calls for expanding Builders Square, K mart's warehouse chain, by

(Continued on page 93)

As part of its five-year strategic plan, K mart will expand the size and mix in its stores' Home Care Center departments. NHCN photo

Grace's next step may be closing stores

By Milford Prewitt
NHCN staff editor

NEW YORK — W.R. Grace watchers and one company retail executive believe that the next step in the company's continuing saga to divest its retail holdings will be the closing of stores.

But Chris Tofalli, a Grace spokesman, said the company always evaluates the performance of individual units and would continue to assess the value of store closings based

(Continued on page 94)

Grossman returns as chief exec

By John Caulfield
NHCN staff editor

BRAINTREE, Mass. — Mike Grossman entered his office at Grossman's Inc. headquarters here on the morning of Sept. 19 and officially regained control of the company he left in late 1984, four months before its parent company, Evans Products, went into Chapter 11.

"I've been working for about two hours, and after addressing our 400 employees, all I can say is that the experi-

(Continued on page 94)

"I've got to learn what has taken place in our company and what's been going on in all the markets we operate in."
—Mike Grossman,
chairman, chief executive officer, Grossman's Inc.

USG named Wickes target by Wall Street

By an NHCN staff editor

CHICAGO — USG Corporation here is the latest building products company thought by Wall Street to be a potential takeover target of Wickes Cos., only 15 days after Wickes backed away from its $74-per-share offer to purchase Owens-Corning Fiberglas.

USG is said by analysts to have essentially the same financial and business profile as National Gypsum and O-C,

(Continued on page 93)

Mr. HOW sale price $102.4M; '85 losses topped $13M

By Donald Longo
NHCN staff editor

WASHINGTON — K mart will pay Service Merchandise $102.4 million when it completes the planned purchase of 12 Mr. HOW Warehouses and four Mr. HOW stores under construction, according to a 116-page document filed here on Aug. 27 with the Securities and Exchange Commission.

The 8-K filing details the Aug. 19 asset purchase agreement between the two corporations and gives a first-ever glimpse of Mr. HOW's financial results which previously were consolidated into Service's corporate reports.

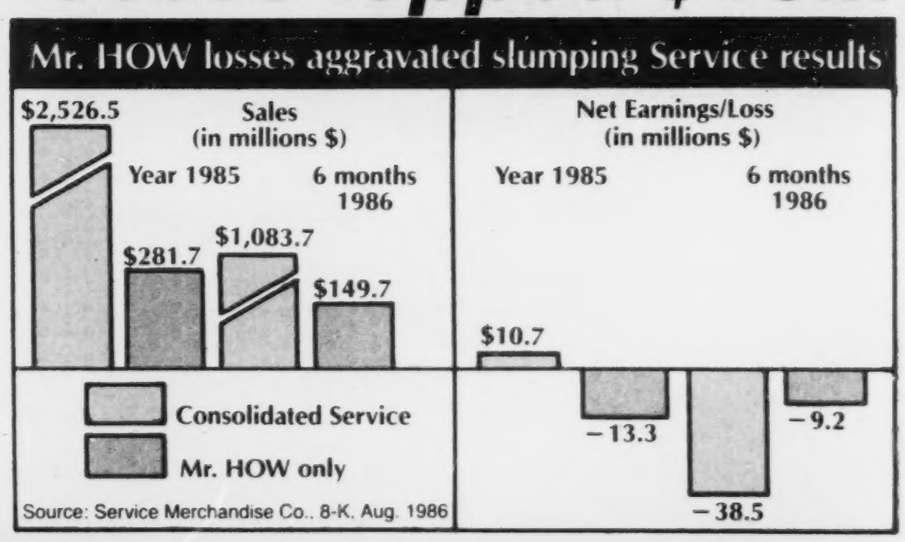
Merrill Lynch Capital Markets handled the agreement negotiations for Service.

Pro forma statements of income show that the warehouse home center chain was heading for a net loss of nearly $20 million on some $300 million in annualized sales before Service began dismantling the subsidiary earlier this year.

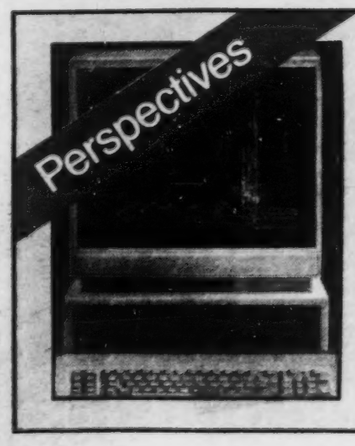
The agreement provides for a series of transactions, with the first closing to include the two Mr. HOW stores in the Columbus, Ohio, market and at least eight stores in other markets. It also stipulates that the initial closing take place within 90 days after the agreement date.

Included in the purchase will be all the stores' inventory, valued by Service at $70.8 million, fixtures, equipment and leasehold improvements. Service valued the

(Continued on page 93)



INSIDE



Second generation computer systems provide a wealth of new benefits to home center retailers *—Page 21*

Retailers report strong sales from RTA furniture as consumers respond to better quality products *—Page 32*

NEWSBREAKS

WORTHINGTON FILES CHAPTER 11: The Mentor, Ohio, hardware wholesaler filed on Sept. 24 for protection under the Federal bankruptcy code from more than 5,000 creditors. It listed assets of $28.1 million against liabilities of $33.3 million.

BUILDERAMA SOLD TO WIENER ENTERPRISES: Don Kole, owner of the six-unit Savannah, Ga.-based chain, sold all his stock to the New Orleans-based chain of specialty shoe stores on Sept. 23, for an undisclosed sum.

INDUSTRY UPDATE

Depot plans new offering

ATLANTA — The Home Depot filed a shelf registration last month for two million shares of new common stock. The company said it would use the proceeds for store expansion, as well as general corporate purposes.

The offering is being made by an underwriting group managed by Merrill Lynch Capital Markets.

In other company news, the chain has begun opening its Atlanta region stores 2½ hours earlier to service contractors and consumers who need earlier shopping hours, following similar experiments in two other markets.

Leon Lemmon, the Atlanta regional manager, said the local stores introduced the 7:30 a.m. starting time in late September.

He said the earlier opening time comes from trial runs in Home Depot's Texas and Florida markets and is expected to be adopted company wide.

Hechinger to move into S.C.

LANDOVER, Md. — Hechinger will move into the South Carolina market for the first time with a 70,000-sq.-ft. unit Greenville that opens on October 11. The store will feature a new presentation in housewares and decorative building products, according to Sally Courtney, senior vp and general merchandise manager. It will also have a 30,000-sq.-ft. outdoor lawn and garden center.

Hechinger will open its third unit in the Columbus, Ohio, market in November, bringing its chainwide total to 58.

Pay 'N Pak cuts 4Q dividend

KENT, Wash. — Pay 'N Pak has cut its fourth quarter dividend to 10 cents from 16 cents. The company blamed a combination of poor results for its second quarter that ended Aug. 31, as well as substantial one-time charges resulting from closing its Denver warehouse and the purchase of three Handyman stores in the Portland, Ore., market.

For its second quarter, the company reported revenues of $108.7 million, compared with revenues of $90.5 million for the same quarter of 1985. Net income for the quarter came to $1.1 million, down from $3.0 million for the second quarter of 1985.

Fagen's inks truss plant deal

VERONA, Pa. — Fagen's, the chain of 12 building materials stores, closed a deal to lease an additional truss manufacturing plant located in Canton, Ohio, last month. Formerly owned by the Crystal Park Lumber Company, the plant is intended to nearly double Fagen's manufacturing activity.

In 1985, Fagen's achieved a manufacturing volume of $3 million. The company now owns two truss manufacturing plants. It also has a window and door plant in Pittsburgh.

Cyclops steel div. intact

PITTSBURGH — Cyclops, the $1.4 billion parent company of Busy Beaver Building Centers, said it would continue to seek ways to maximize shareholder value, after stockholders voted down a management proposal to split off the firm's steel division as an independent entity.

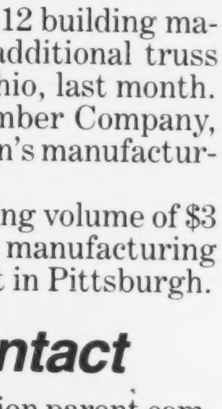
"If the right proposals come along, we will look hard at them," said a Cyclops spokesman.

If the shareholders had approved the split, the remaining publicly held company would have consisted of Busy Beaver Building Centers and Silo, a nationwide chain of specialty appliance stores. (*NHCN*, Aug.25).

Industry stocks take beating

NATIONAL REPORT — Home center stocks generally took a beating along with other securities on the market for the two week period that ended Sept. 19.

Of the stocks tracked by *NHCN*, 49 declined, one remained the same, and only six increased in price.



News that Service Merchandise would sell Mr. HOW helped the stock of that company rise 18.2% to close at $11.38. Takeover events helped the stock of Color Tile increase 3.3% to close at $31.13, while takeover rumors helped USG Corp.'s stock rise by the same degree, to $43.50.

(See fiancial table, page 92)

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Wickes' Sigoloff intros merger of Ole's/BE in new TV, print ads

By Brad Altman
NHCN staff editor

LOS ANGELES — "Did you ever think the day would come when I'd be telling you to shop at Ole's?"

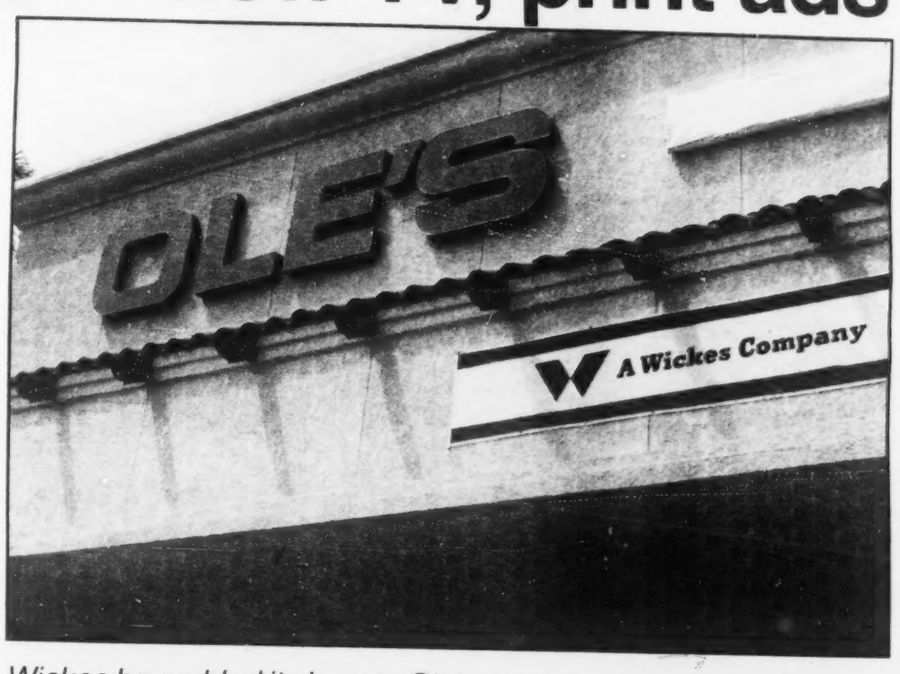
Wickes chief executive Sanford C. Sigoloff asks that question in a new television commercial that debuted in California in September.

Sigoloff is continuing his role as TV pitchman to alert viewers that Wickes—parent of Builders Emporium—now owns Ole's Home Centers as well.

The smiling Sigoloff says that BE and Ole's have joined forces, creating by far the largest home-improvement chain in California, "with over a hundred stores to serve you."

The TV campaign broke Sept. 8. Simultaneously, the front cover of the BE weekly tabloid was redesigned to include the Ole's logo, printed side-by-side. And fabric banners saying, "A Wickes Company," have been placed on Ole's storefronts.

Hype aside, Wickes is facing some major challenges as it absorbs the 108 Western U.S. home centers which it bought this past summer from W.R. Grace. The purchase consisted of Diamond Bar; Calif.-based Grace Home Centers West, which operated 87 units, including more than 60 Ole's in three states; and 21-unit San Jose-based Orchard Supply Hardware, which continues to operate autonomously.



Wickes has added its logo to Ole's stores, announcing the merger of Builders Emporium and Ole's Home Centers. NHCN photo

One of the top priorities has been to blend the BE and Ole's merchandise assortments, a task that one inside source said would be completed in-store by early next year. To get a common assortment in both chains has meant that Builders Emporium/Home Centers West (BE/HCW)

(Continued on page 4)

Westlake to buy Townley warehouse

By Gary S. Ruderman
NHCN staff editor

LENEXA, Kan. — Pending approval Oct. 2 by the City of Lenexa, Kan., Westlake Hardware Supply Inc. will purchase the vacant 120,000-sq.-ft. warehouse owned by Townley Hardware, a subsidiary of The George Worthington Co., Mentor, Ohio.

According to Jerry Williams, Lenexa city attorney, proxies were sent to several hundred bondholders the first week of September seeking approval of the sale. The City of Lenexa issued $3.45 million in industrial revenue bonds in October, 1981, for the building's construction, according to city clerk Sandy Howell. If approved, the Westlake purchase will net bondholders $3.11 million, Howell said.

In a prepared statement, Howard Elsberry, vp of the Moberly, Mo.-based Westlake, operator of 35 Westlake Ace Hardware stores in five states, said the firm had not decided on a use for the facility but had "no current plans" to enter the hardware wholesale business. The warehouse, built in 1982, has been vacant since Townley moved to Denver in 1985. Townley ceased operations Sept. 8.

O-C moves forward with restructuring

By an NHCN staff editor

TOLEDO, Ohio — Officials for Owens-Corning Fiberglas here continue to move forward with their restructuring of the building materials company that was necessitated as a means to block Wickes Cos.' attempt to take O-C over.

As part of this strategy, O-C has raised $1.5 billion in new financing — $100 million in the form of revolving credit—through nine banks led by Citicorp and Credit Suisse. It has sold off Olympic Fastening Systems, a unit of its Aerospace and Strategic Materials group which it bought only a year ago and now is said to be on the block.

Most recently, O-C is undergoing a transformation through consolidation of its businesses, as company officials try to squeeze out cost savings wherever they can be found.

Five of the company's divisions have been rearranged and welded together under a newly formed Construction Products Group that will revolve around insulation and roofing manufacturing. These businesses accounted for 70% of O-C's volume in 1985, and now will be placed under the direction of Max Weber, who previously was vice president of the insulation operating division. He will be president of the new group and become a senior vp of the company and a member of its corporate planning board.

Weber, 56, will report to Guy Mabry, 60, who becomes O-C's executive vp. Previously the company's senior vp in charge of its insulation and construction businesses, Mabry will now oversee marketing communications, personnel and industrial relations.

O-C's international division was untouched in this recent restructuring, and its Industrial Materials group picks up some smaller businesses within the company.

However, two divisions have been folded into other operations, resulting in two key executive layoffs. D. Jack Hensler, who had run O-C's Interior Products division, and Edward Lindsley, a vice president of O-C's Textiles division, lost their jobs. Both men reportedly had more than 30 years experience with O-C. It could not be determined if any other employees in either division were let go.

In fact, the company's restructuring plan calls for an early retirement program for salaried employees aged 55 or over with 10 or more years with the firm. About 420 of the company's 29,000 employees

(Continued on page 93)

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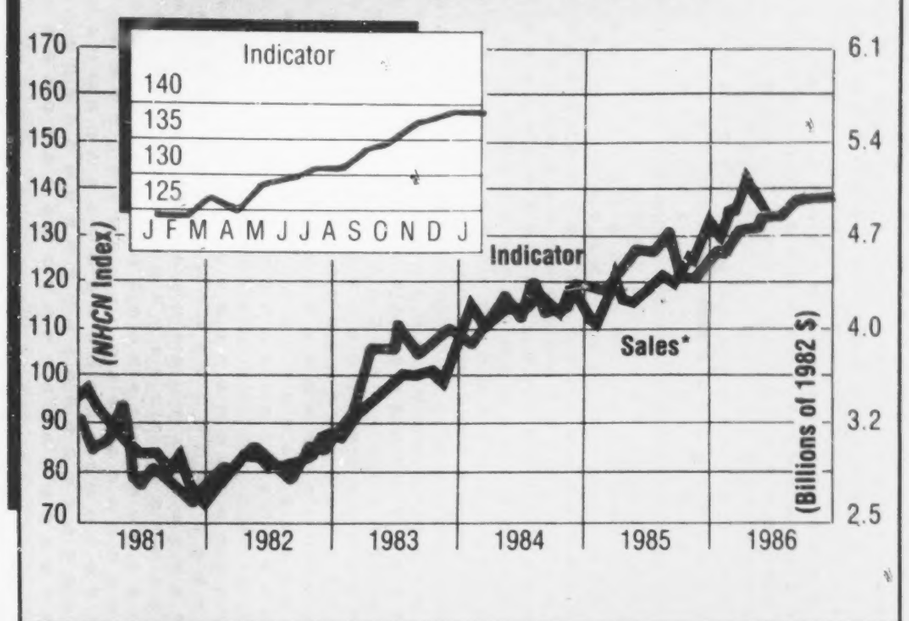
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an expansion in building material sales in the fourth quarter. Resales were up in the second quarter and will increase building material demand.

East South Central material sales expected to rise 19%

By Richard E. Mount
Special to NHCN

The outlook for improvement appears bright this year for the states of Tennessee, Alabama, Mississippi and, to some extent, Kentucky, even though retail activity continues to vary significantly across the country.

Building material sales in the East South Central states are expected to increase 19% this year, well above the national average of 12%. For 1987, regional sales will continue to outpace the nation with sales up 14%. Adjusting for inflation, East South Central sales will be up 18% this year and 10% in 1987.

Richard E. Mount

The East South Central states will have the second best sales gains in 1986 of the nine regions and the best in 1987. These states have a heavy concentration of manufacturing, and the local economies are still suffering from the last downturn. All states have unemployment rates above the national average. Strong sales gains now are the result of sub-par gains in the recent past.

Local economies are also undergoing their third stage of development in the post-war years. In the 1950's, many parts of the region changed from agriculture to manufacturing. Now, many are becoming finance and service oriented.

Over the last 12 months, employment in finance and services has risen sharply, while manufacturing and mining declined. As 1987 un-

(Continued on page 89)

Home Center Industry Regional Outlook

		1985			1986				1987			
		QII	QIII	QIV	QI	QII	QIII	QIV	QI	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		116.0	121.0	123.4	124.7	127.9	132.1	136.6	138.8	118.5	130.3	140.8
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	53,512	53,736	56,976	61,180	62,612	59,101	55,400	60,879	53,841	59,573	65,173
	New England	2,902	3,238	3,477	3,492	3,920	3,682	3,413	3,738	3,038	3,627	3,986
	Middle Atlantic	7,119	7,408	8,306	8,324	8,759	8,203	7,667	8,401	7,269	8,238	8,960
	East North Central	8,575	8,603	9,048	8,096	9,918	9,391	8,847	9,771	8,381	9,063	10,504
	West North Central	3,860	3,841	4,000	3,541	4,364	4,108	3,828	4,195	3,747	3,960	4,489
	South Atlantic	11,139	10,868	11,837	13,871	12,979	12,281	11,545	12,699	11,262	12,669	13,622
	East South Central	2,912	3,056	3,182	3,513	3,663	3,493	3,318	3,695	2,964	3,497	3,988
	West South Central	6,240	5,822	6,041	6,817	6,261	5,851	5,385	5,893	6,090	6,079	6,278
	Mountain	2,606	2,620	2,763	3,256	3,037	2,890	2,720	2,989	2,674	2,976	3,190
	Pacific	8,158	8,281	8,322	10,269	9,711	9,202	8,676	9,497	8,377	9,464	10,155
Constant	**Millions $1982 SAAR Total United States**	50,990	51,144	53,749	57,422	60,432	56,200	51,800	56,360	51,035	56,464	59,410
	New England	2,765	3,082	3,280	3,460	3,783	3,501	3,191	3,461	2,882	3,484	3,634
	Middle Atlantic	6,783	7,051	7,836	7,916	8,454	7,801	7,169	7,778	6,894	7,835	8,168
	East North Central	8,171	8,188	8,536	9,193	9,572	8,930	8,272	9,046	7,950	8,992	9,575
	West North Central	3,678	3,656	3,773	4,104	4,212	3,906	3,579	3,883	3,554	3,950	4,092
	South Atlantic	10,614	10,344	11,167	11,613	12,528	11,678	10,795	11,757	10,682	11,654	12,417
	East South Central	2,775	2,909	3,002	3,266	3,535	3,321	3,103	3,421	2,812	3,306	3,635
	West South Central	5,946	5,541	5,699	6,221	6,043	5,564	5,035	5,456	5,777	5,716	5,723
	Mountain	2,483	2,494	2,607	2,800	2,931	2,748	2,543	2,767	2,536	2,756	2,908
	Pacific	7,774	7,882	7,851	8,849	9,373	8,750	8,112	8,792	7,946	8,771	9,257
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.42	6.03	6.10	6.03	6.26	6.23	6.16	6.14	5.65	6.17	6.12
	Middle Atlantic	13.30	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.51	13.88	13.75
	East North Central	16.02	16.01	15.88	16.01	15.84	15.89	15.97	16.05	15.58	15.93	16.12
	West North Central	7.21	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.96	7.00	6.89
	South Atlantic	20.82	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.93	20.64	20.90
	East South Central	5.44	5.69	5.58	5.69	5.85	5.91	5.99	6.07	5.51	5.86	6.12
	West South Central	11.66	10.83	10.60	10.83	10.00	9.90	9.72	9.68	11.32	10.12	9.63
	Mountain	4.87	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.97	4.88	4.89
	Pacific	15.25	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.57	15.53	15.58
Industrial Production												
Index (1977 = 100)	Brick	87.5	91.3	88.6	92.7	92.2	94.5	94.1	92.4	88.5	93.4	91.1
	Cement	110.0	106.5	99.8	121.2	112.9	115.2	113.1	110.9	105.7	115.6	109.4
	Gypsum Wallboard	127.7	129.6	132.4	132.8	133.7	132.3	134.5	134.6	126.4	133.3	133.9
	Hardware	102.7	99.2	99.4	99.8	102.4	103.7	104.5	104.5	100.9	102.6	103.8
	Lumber Products	121.8	126.1	125.7	128.0	131.0	129.8	128.7	127.5	122.9	129.4	126.7
	Paint	106.0	98.2	100.2	100.6	104.2	105.9	107.1	108.2	101.9	104.5	109.1
	Plywood	137.1	144.3	142.9	149.6	157.7	148.6	148.2	147.3	138.7	151.0	145.4

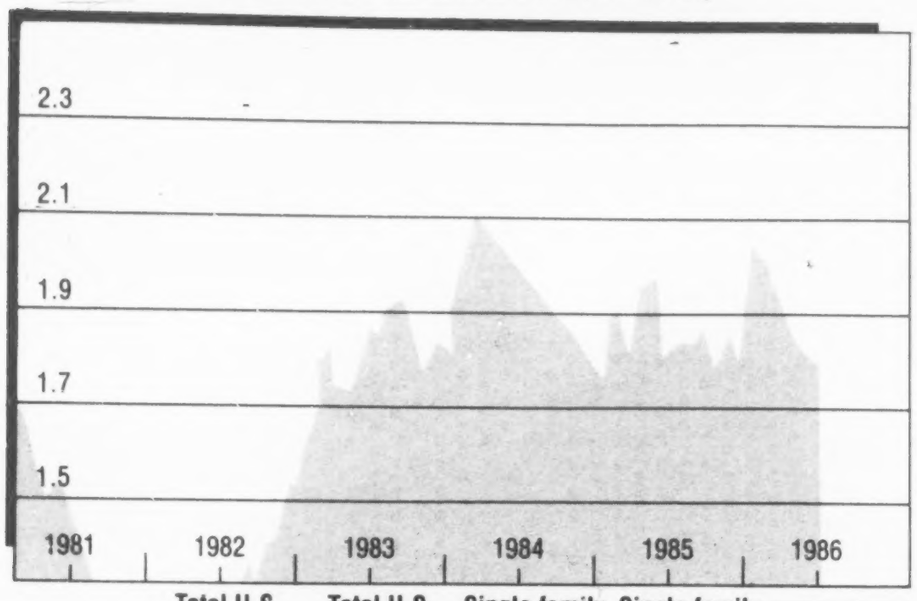
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
September 17, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

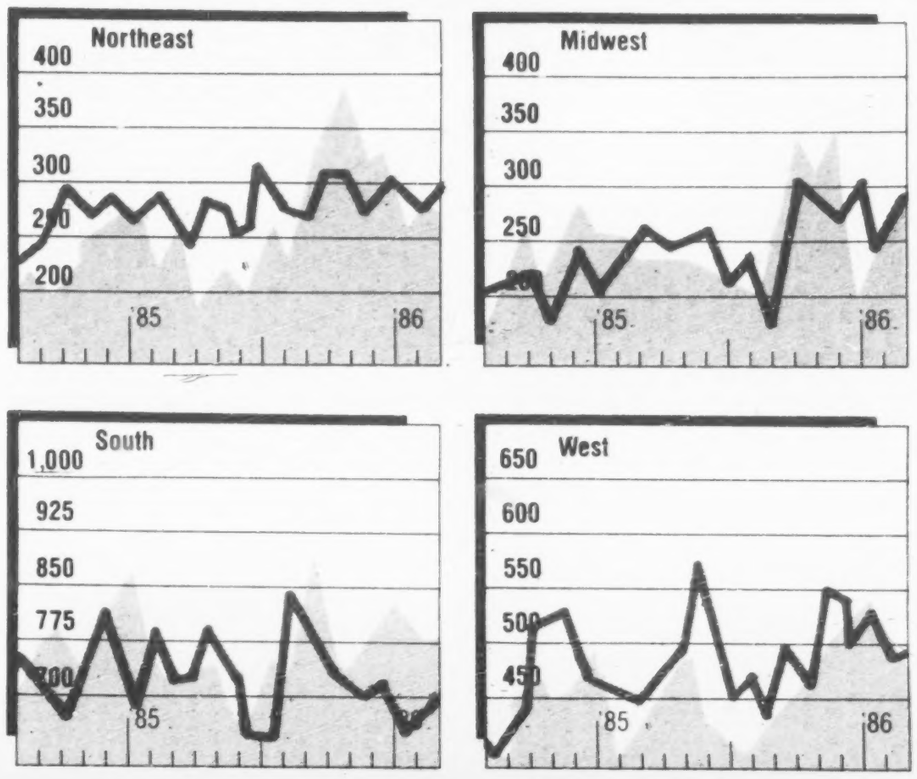


	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
Aug. '86	1,822	1,654	1,197	1,031
July '86	1,815	1,759	1,162	1,093
Aug. '85	1,737	1,782	1,071	990

Key: Starts, Permits

Source: U.S. Commerce Department

Regional housing starts and permits
(in thousands)



Housing starts climb slightly in August

By an NHCN staff editor

NATIONAL REPORT — After a three-month decline, housing starts rebounded slightly in August, rising four-tenths of 1% to an annualized 1.822 million units, the Commerce Department reported.

While August's starts were 4.9% ahead of last year's pace, the increase marked only the third time this year that activity gained ground.

The last time housing starts rose this year was in April. In April, they rose 4% to more than two million units, seasonally adjusted, the highest level recorded so far this year.

Single-family starts fared better than the total in August, rising 3% to 1.197 million units, 11.8% above the pace set in August, 1985.

Regional Housing
(in thousands)

	July '86 starts	% chg.	July '86 permits	% chg.
Northeast	833	+17.7	271	−13.7
West	485	+ 2.3	455	− 0.4
South	708	+ 0.3	644	− 6.8
Midwest	296	−15.9	284	− 4.4

Source: U.S. Commerce Department

Housing permits, though, lost ground in August. Total permits fell 6% to 1.654 million units, 7.2% below last August. And single-family permits declined 5.7% to 1.031 million units, but were still 4.1% ahead of last August.

August's report from the Commerce Department was bleak for the Midwest, although all regions recorded a loss in at least one category.

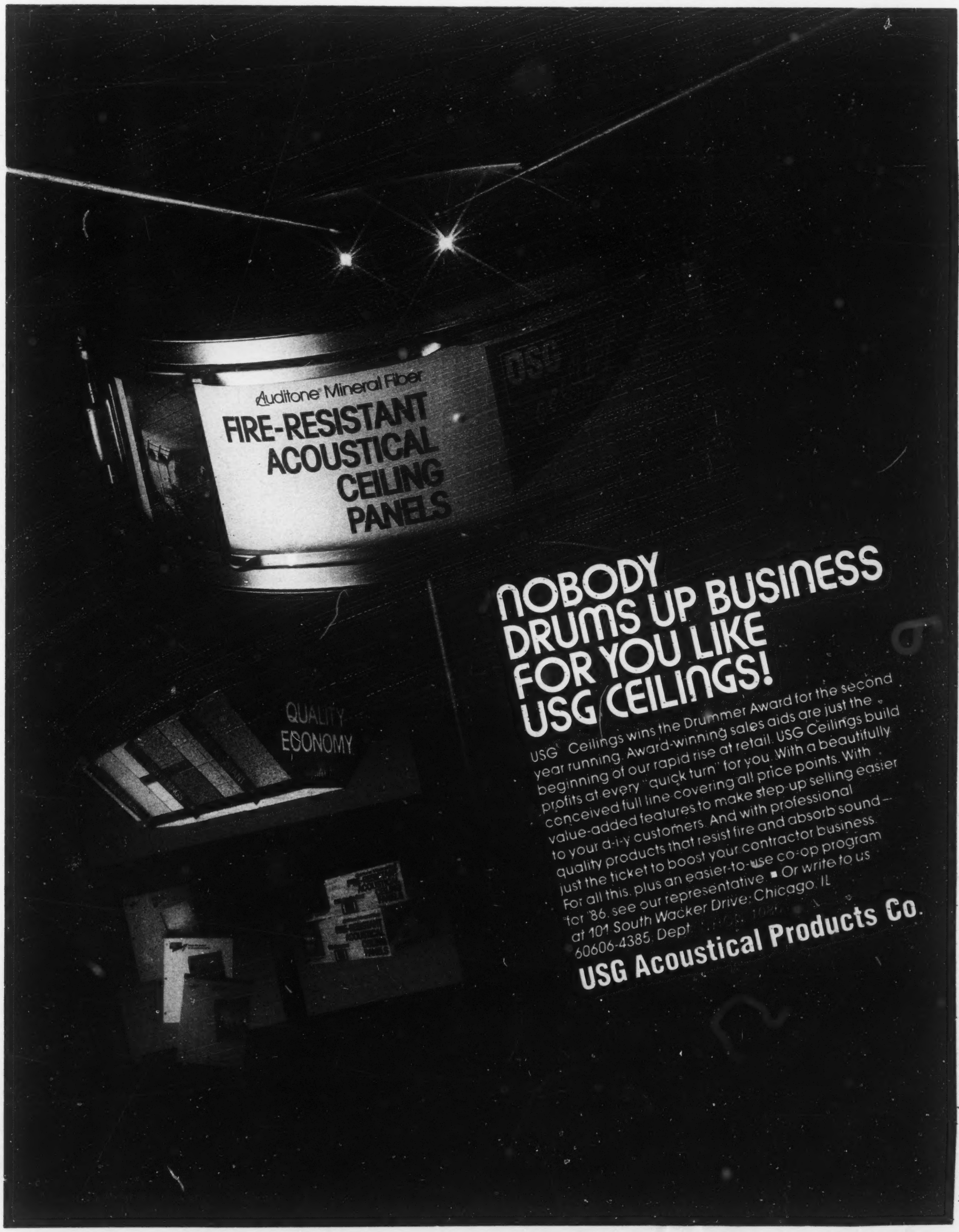
Housing starts in the Midwest fell 15.9% in August, to 296,000 units, seasonally adjusted, losing the ground the market won in July. The pace was still 20.8% above the same time last year. Permits here declined too, falling 4.4% to 271,000 units. Still, compared to August, 1985, they were up 12.7%, to 252,000 units.

The biggest housing starts increase was recorded in the Northeast. There, starts rose 17.7% to a seasonally-adjusted 354,000 units, a whopping 43.5% jump above last August's pace. Permits, however, fell 13.7% from July, to an 271,000 units, but were still 2.7% ahead of last August.

Both the South and West recorded small starts increases in August but were under their last year's pace. In addition, the two regions recorded losses in their permit activity.

Of the two regions, the news was grim in the South. Housing starts rose just three-tenths of 1% from July, to 708,000 units, seasonally adjusted—5.7% below its August, 1985, pace. Housing permits in the South fell 6.8% in August to 644,000 units, 16.1% below last August.

The West fared only a little better. Starts edged up 2.3% in August to 485,000 units, seasonally adjusted but were 4.7% below last August. And housing permits declined four-tenths of 1% from July to an annualized 455,000 units, 8.6% below August 1985.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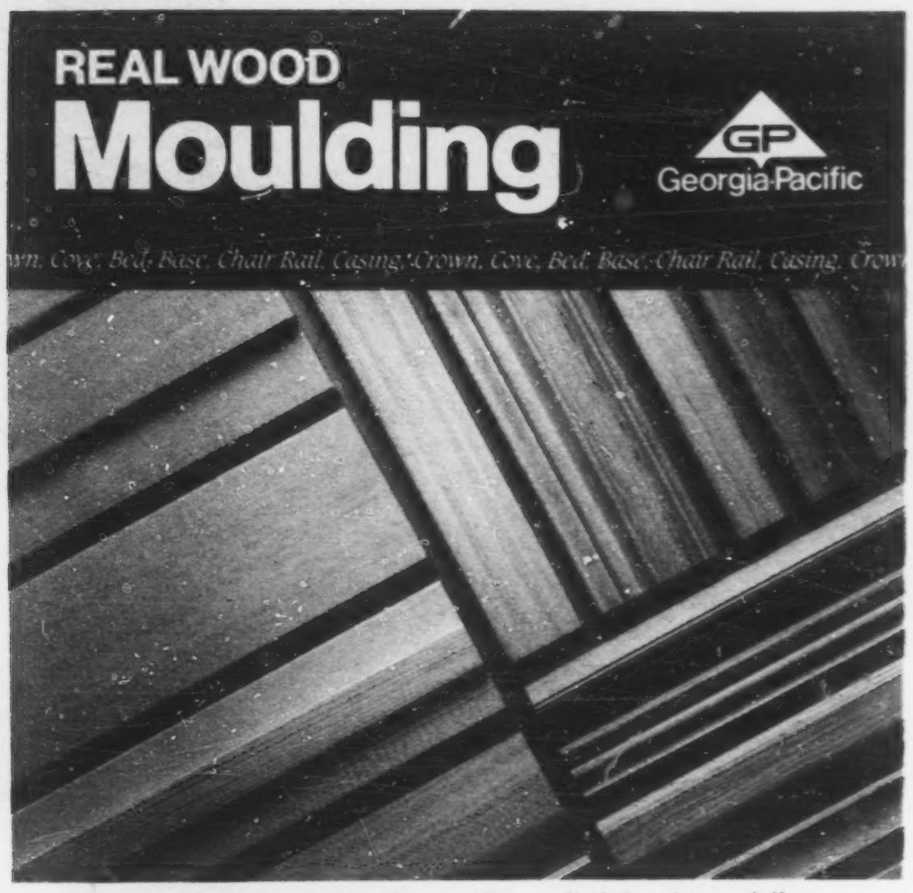

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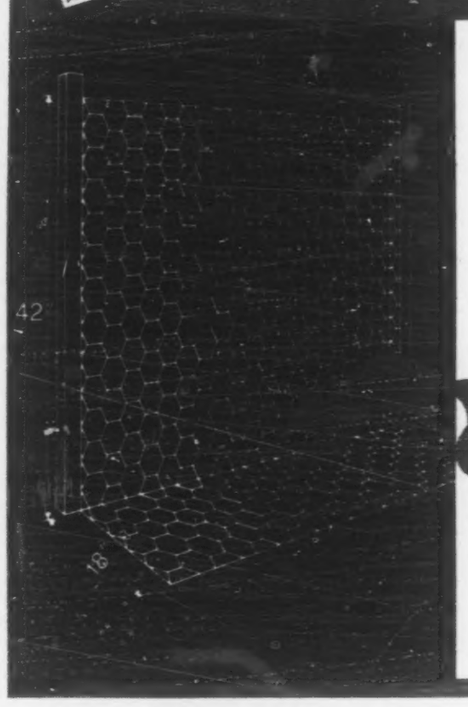

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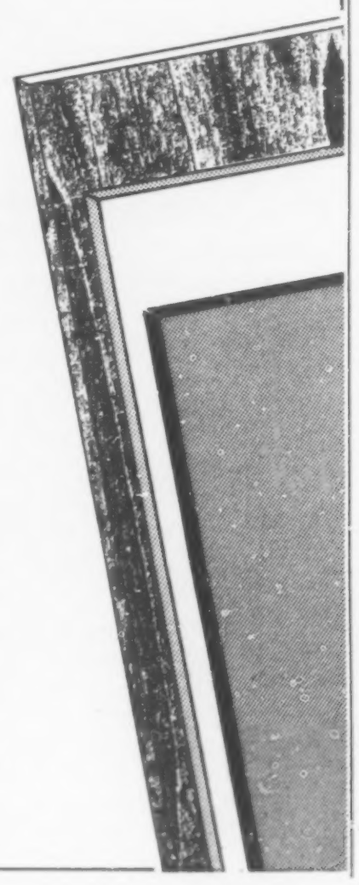

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LUMBER REPORT

Blistering drought devastates Southern pine seedling acreage

By Milford Prewitt
NHCN staff editor

ATLANTA — The drought that devastated Southern crops this summer did not leave Southern forest growers unscathed.

According to the U.S. Forest Service (USFS), about a third of the region's Southern pine seedling acreage will be lost as a result of the blistering heat and aridity that scorched the South this summer.

Paul Forward, a USFS nursery and seedling specialist, estimated that approximately 427,000 seedling acres in Alabama, Louisiana and Georgia may have been killed due to a lack of water. Forward said his estimate could change by 50% up or down after an annual survey is taken later this fall to determine how many survived.

"The usual practice is to plant about 700 seedlings to the acre," he said. "Usually, 70% to 80% will survive into the fall. But based on some of our observations, it looks as if the loss of seedlings is going to be quite serious."

Costly replanting needed

Although it will be decades before the loss of the seedlings will affect supply, forest growers will feel the financial impact of the drought much sooner when they begin reforestation programs.

Industry observers estimated that the replacement costs for the dead seedlings will reach into the tens of millions of dollars.

In Alabama, for example, two-thirds of this year's commercial tree seedlings were killed by the drought, requiring a replacement cost of about $11 million. Similar reforestation estimates have been cited for Georgia where the state's $8.5 billion forest products industry lost an estimated 25% of the seedlings planted last year.

H.L. Neal, a regional forester for the Georgia Department of Forestry, said seedlings literally baked in the earth during the height of the drought. He said some industry reports had speculated that the replacement costs in Georgia will be around $10 million.

Neal added that industry segments that depend on Christmas tree sales are expected to be hit particularly hard. While older trees survived the drought, seedlings and young stands geared for the Christmas tree market were snuffed out and will severely limit supply by the holiday season this year and next.

Susceptible to pest attacks

Tom Hofacker, a USFS pest control administrator, said while the majority of older trees made it through the Southern drought, the absence of water during the summer deprived the stands of their peak growing spurts and thereby reduced their ability to develop sap resistance to thwart disease and insect infestation.

He said evidence abounds where the Southern pine beetle, whose voraciousness has resulted in the virtually unchecked ravaging Southern forests for the past two years, grew more prolific and destructive this summer as water-starved trees weakened and succumbed to the beetle plague.

He said those trees that survived both the beetle attack and the drought are still in danger and are severely "stressed" by the loss of vital tissues and linings that normally carried water through the trunk.

Hofacker said the pine beetles moved into Arkansas for the first time this summer and made farther penetration east into Georgia, Mississippi and South Carolina.

Tax reform no help

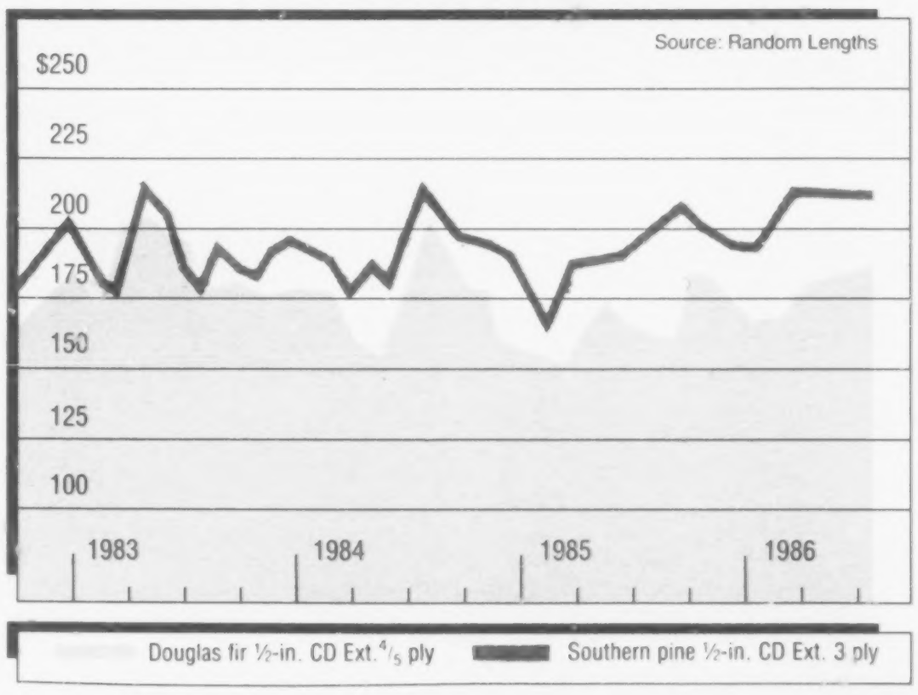
Making matters worse for the Southern forest growers is the specter of the tax reform package which, industry analysts say, offers no incentives or tax breaks for reforesting drought-eaten land.

Unlike a forest fire, from which forest growers are allowed to write off substantial casualty losses, the tax reform package views timberland killed by drought as a simple business loss that does not qualify for any kind of tax break. And changes in the industry's revered capital gains treatment from the long-term harvesting proceeds may blunt enthusiasm for replacing the dead forests.

George Miles, a tax director for the USFS, said although the industry was always required to capitalize the cost of reforesting, new discussions among congressional tax reformers indicate a willingness to entertain drought loss as a casualty expense.

Commodity close-up

Western and Southern Plywood
Average monthly mill prices
(per thousand board feet)



Plywood prices have been remarkably stable during most of the third quarter, with trading prices only $1 to $3 different from those two and half months ago. Douglas fir ½-in. CD Ext. 4/5 ply dropped $1 from its May trading price of $214 per thousand square feet to $213 in August. Southern pine ½-in. CD Ext. 3 ply rose $3 from a May trading price of $182 per thousand square feet to $185 in August.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 9/11

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Sept. '86	$202.50	$191.20	$197.90	$197.30	310	$203.50	$145.50
Nov.	$185.00	$170.20	$174.70	$183.90	3,648	$186.90	$146.00
Jan. '87	$179.40	$165.70	$169.00	$177.30	1,061	$182.00	$150.00
March	$177.50	$165.60	$168.20	$176.10	397	$180.50	$153.00
May	$177.50	$166.00	$170.90	$177.00	134	$179.00	$155.50
July	$177.50	$167.00	$171.00	$177.00	29	$177.50	$155.10
Sept.	$176.50	$167.50	$171.00	$177.90	19	$177.90	$165.00

Total Contract Vol. (Through 9/11): 17,267 **Previous Two Weeks: 23,622**
Total Open Interest (As of 9/11): 5,598 **Previous Week: 6,437**
Cash Price: $205.80 **Previous Week: $196..00** **Year Ago: $151.90**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 9/11
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Perspectives

cover story

NLBMDA computer study shows prices coming down

By an NHCN staff editor

WASHINGTON — The third edition of the National Lumber and Building Material Dealers Association's *Computer Manual* lists 25 turnkey systems vendors and two software suppliers who had a combined total of more than 1,600 installations in the field as of July of last year.

The study also shows that home centers and lumberyards can take on a computerized inventory system from turnkey vendors—firms that supply all hardware and software for a complete system—for a first-year investment of as little as $10,000. Some of these systems in the $10,000 to $30,000 range accept as many as 10 work stations.

And, many of these same vendors also offer more powerful, high-end systems accepting as many as 150 work stations that cost as much as $100,000 in first-year hardware, software, peripherals, support and service costs.

The report says that the number of vendors identified as providing computer software programs for the building material industry has doubled in the past two years.

Written in nontechnical language, the *Computer Manual* provides useful information for the dealer computerizing for the first time, as well as for those looking to upgrade a system they have outgrown. It provides how-to information on defining a dealer's needs, evaluating and selecting various systems and installing and operating the system.

Further, the manual notes that price competition and major technological breakthroughs have brought computer affordability within reach of any business, regardless of size.

Among the more sophisticated applications are:

- Point-of-sale systems that read bar codes;
- Management planning programs;
- Use of IBM equipment (Two years ago, no software vendor had a software package for the IBM Systems 34 and 36. Now, such applications are readily available.);
- POS programs that interface with existing accounts receivable, payable and general ledger;
- Upgradable hardware without need for software modifications;
- Project estimating and takeoff systems using either keypunch or scanner;
- Special pricing programs;
- Credit checking; and,
- Transmitting purchase orders to major suppliers.

The vendors listed responded to an NLBMDA inquiry about their products and, while not comprehensive, provide a cross-section of systems tailored for the retail lumber and building material industry.

Computer System Vendors
Profiles of 25 vendors to building materials dealers

Vendor	First year costs* (in thousands) Low end**	First year costs* (in thousands) High end	Five year costs* (in thousands) Low end	Five year costs* (in thousands) High End	Work station capacity Low end	Work station capacity High End	No. of installed systems†	Hardware††
ACM Software Troy Mich.	$30-50	$50-100	$45-75	$75-150	22	36	7	IBM System 36
ADD Electronics E. Syracuse, N.Y.	30-50	50-100	75-150	150+	20	128	15	IBM System 36
Aid In Management Greenville, S.C.	10-20	30-50	45-75	75-150	10	40	200+	Data General DG 20 Data General Eclipse
Analytics Brookfield, Wis.	10-20	20-30	Under 15	30-45	1	12	18	Radio Shack Tandy 1200 Wang/Micro VP
Benchmark Computer Systems Bloomington, Minn.	10-20	30-50	15-30	45-75	8	64	45	IBM PC, XT, AT Contel CADO ATS 8 Contel CADA ATS64
Benchmark Computer Systems Seattle, Wash.	20-30	30-50	30-45	75-150	8	64	NA	Contel CADO ATS 8 Contel CADO ATS 64
CADO Systems Corp. Torrance, Cal.	10-20	30-50	15-30	45-75	8	64	100	Contel CADO
Computer Advisors Salt Lake City, Utah	10-20	50-100	15-30	75-150	24	64	50	IBM PC, PC AT Point 4/Star Technologies
Computer Software Consultants Chestnut Hill, Mass.	30-50	50-100	NA	NA	13	Over 100	16	PDP-11/73 DEC/VAX Systems PDP-11/84
Computer Systems Design Elicott City, Md.	10-20	30-50	15-30	45-75	3	Over 100	55	AT&T PC 6300 AT&T 3B2/3B5/3B20
Computer System Dynamics Thornton, Colo.	20-30	50-100	30-45	75-150	7	64	80	Point 4/Mark III Point 4/Mark IX
Dataline Corp. Wilton, Conn.	20-30	50-100	15-30	75-150	5	63	350	IBM PC AT Dataline 2000XP
HSI Computer Services San Antonio, Tex.	20-30	50-100	30-45	75-150	7	7	15	IBM System 36
MCS Inc. Pittsburgh, Pa.	30-50	50-100	45-75	75-150	14	60	14	DEC 11/23 DEC 11/84
Minicomp Systems Grand Rapids, Mich.	10-20	50-100	15-30	75-150	24	64	50	IBM PC AT Point 4/Mark 9
Morrison Services Shelby, N.C.	20-30	50-100	45-75	75-150	4	Over 25	24	Datapoint 1560 IBM System/36
Northern Data Systems Bedford, N.H.	10-20	30-50	15-30	45-75	4	64	100	IBM PC XT Contel CADO
ProfitMaster Computer Systems Austin, Tex.	20-30	Over 100	30-45	Over 150	7	25	Over 125	TI BS373C TI BS891A
The Programmers Taos, N.M.	17	25	Under 30	30-45	5	16	10	AT&T Unix PC Convergent Technology
Progressive Solutions Powell, Ohio	11,500	21,500	Under 15	Under 30	1	16	3	IBM PC XT AT&T 7300 PC
Schneider Software Systems Canton, Ohio	10-20	20-30	15-30	30-45	1	13	4	Wang/PC Wang/2200
SHL Business Systems• Woburn, Mass.	50-100	Over 100	75-150	75-150	16	32	17	Wang VS 15 Wang VS 65
Systems Design South Holland, Ill.	30-50	Over 100	45-75	Over 150	6	150	6	Burroughs B 25 Burroughs mainframe
Systems Software Technology Leola, Pa.	Under 30	Under 30	NA	NA	4	64	3	IBM System 36 PC IBM System 36
Triad Systems Corp. Sunnyvale, Calif.	10-20	50-100	15-30	75-150	6	24	290	Triad 1100 Triad 1400

*Estimated cost of minimum hardware, software, peripherals, support and services
**Companies may also offer intermediate, mid-priced systems
†As of July 1, 1985
††Other hardware may also be offered
•Now McLeod-Bishop
NA Not available

Source: 1985 Computer Manual, National Lumber & Building Material Dealers Association

Perspectives

merchandising

Furniture sales rise as much as 30% at some chains

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT — Retailers report strong sales from ready-to-assemble (RTA) furniture as consumers respond to a better quality and more fashionable product.

The increased demand for home ,office and storage furniture has helped boost furniture sales to over 30% above last year in some home centers. Furniture for electronic products, which was once exclusively a promotional item, has become a higher-ticket sale.

Home centers now stock both finished and unfinished wall units designed for home computers and video cassette recorders (VCR's). But there seems to be a shift away from unfinished lines among certain dealers.

"The prefinished furniture is more fashionable and desirable" than these items have been in the past, said Dave Smith, furniture buyer at 11-unit Busy Beaver. The category "is now reaching people who wouldn't look at knockdown furniture in the past."

The chain, based in Pittsburgh, dropped wall coverings, drapery hardware and contact paper to make room in its stores for its expanded furniture department. It now carries 22 sku's of finished furniture and three sku's of unfinished chairs. Furniture sales in August increased by 50% compared with the same month last year, while total furniture sales increased by over 30% from 1985 to 1986.

"Furniture is now multifunctional. Storage furniture can now be used anywhere, the spare bedroom or den," said a furniture buyer for another large East Coast chain. His company added bedroom furniture to its more traditional mix this year.

Home centers now account for 12% of all RTA furniture sales, ranking them third behind discount stores and retail electronics outlets, according to *Furniture/Today*, a weekly trade journal. The publication estimated that $500 million of domestic and imported RTA furniture was shipped in the U.S. in 1986. Comparable data from previous years was not available.

This year Forest City, Lowe's, Busy Beaver, Supply One, Rickel Home Center, Anderson Lumber in Utah and Pergament Home Centers were among the chains that have expanded their furniture offerings. The added lines reflect a broader, more quality-oriented merchandise mix and span various categories including both finished and unfinished furniture.

Several dealers attribute the consumer interest in RTA furniture to the successful entry into the U.S. of IKEA, the Swedish-based retailer which took RTA furniture into the realms of fashion and design, producing affordable furniture which looks expensive. In addition, most of the warehouse chains stock a huge assortment of furniture, which has made the consumer more comfortable buying this merchandise in a home improvement environment.

The expansion of the RTA market hasn't gone unnoticed by suppliers, either. Armstrong World Industries, the Langhorne, Pa., supplier which previously was involved through Thomasville Industries, a subsidiary, in the assembled lines, launched its own RTA program in March, which required retooling part of one of its plants. Chase-Pitkin, Rickel and Anderson Lumber are among retailers testing Armstrong's product lines, and Payless Cashways reportedly is planning to test the product as well.

The Armstrong finished furniture fills a niche for the medium-quality product which is a step up from the Foremost furniture lines.

Foremost, based in Archbold, Ohio, remains the top RTA furniture producer in the U.S., according to *Furniture/Today*, with shipments in 1986 expected to reach $180 million. Foremost dominates the market with low price points and traditional styles.

Quality rises, but not price

Although RTA furniture has improved in quality, the price has not necessarily risen, as American suppliers become more competitive and adopt European manufacturing technology. One European feature becoming more common in American-made fare is the metal-to-metal fastener which is stronger and easier to assemble than the metal-to-wood fastener.

"With imports flooding into the country, the American manufacturer has had to respond or lose business," said Paul Siegel, vp-merchandising for the 18-unit Forest City chain, based in Cleveland.

Forest City increased its furniture sku's by an estimated 25%, adding lines of bedroom furniture as well as TV carts and wall units.

The East Coast chain added 15 sku's to its mix this season. It now has 50 sku's of finished and 10 sku's of unfinished furniture, expanding particularly in the home office area with oak file cabinets and higher-quality desks imported from the Orient.

Supply One, the three-unit chain based in Reno, Nev., upgraded the quality of its assortment when it increased its furniture department from 50 sku's to 100 sku's in August in its new Portland, Ore., store. New unfinished furniture items include a Khoury entertainment center in bleached pine, retailing at $129.99, and a prefinished solid oak bookcase from Westwood retailing for $199.99.

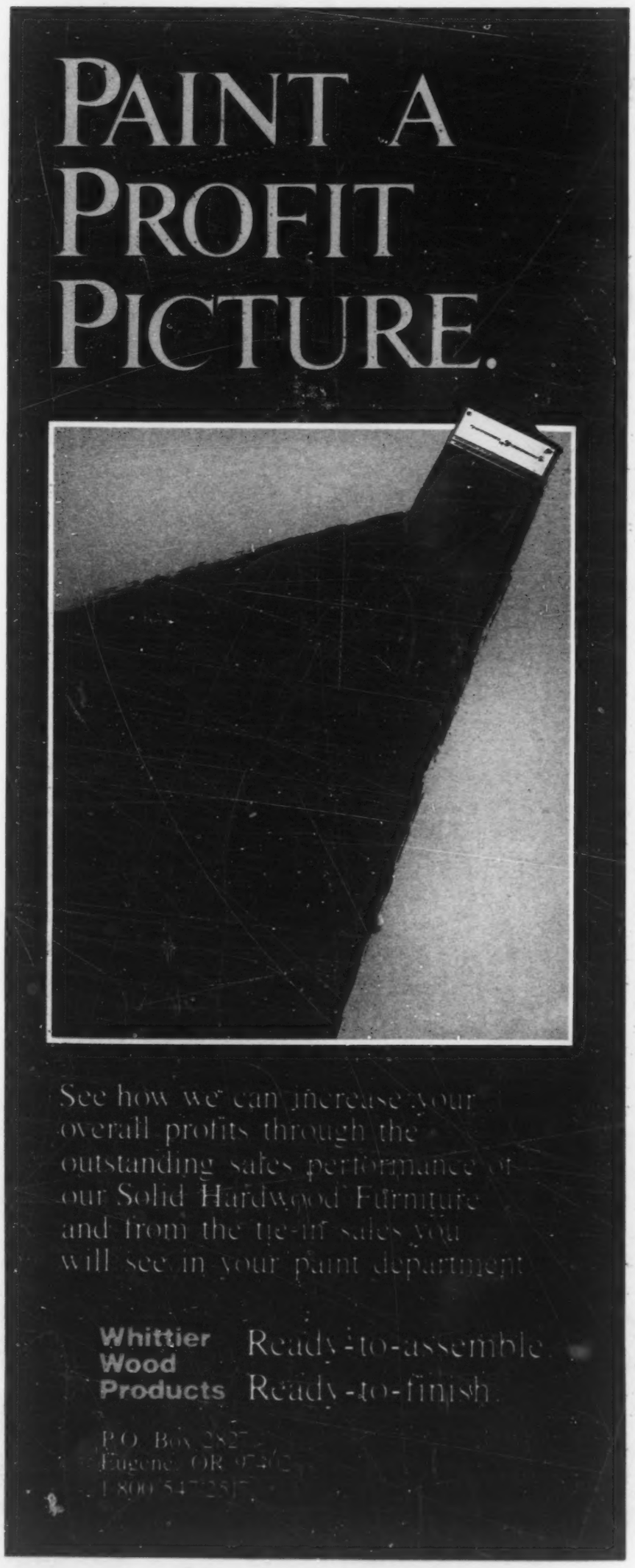
"We are entrepreneurs and take advantage of anything that is hot in U.S. home centers," said Conrad Sun, product manager at Supply One. Sun estimates that total furniture sales will run between $250,000 and $500,000 in 1987 at its stores.

Floor space still a concern

Supply One allotted three 118-ft. runs for furniture at the Portland store. Not all home centers enjoy the luxury of such space, where expansion of the furniture department involves cutting other product lines.

Flexibility is the key to overcoming space problems at Forest City stores, where the

(Continued on page 35)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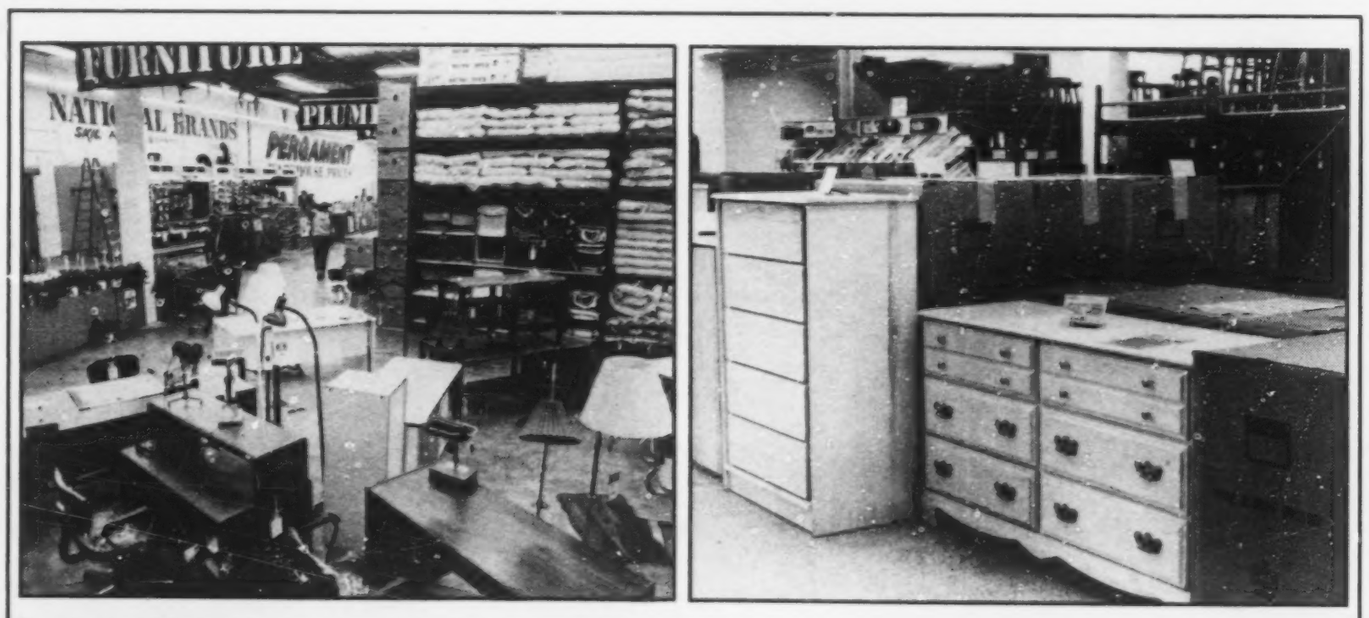
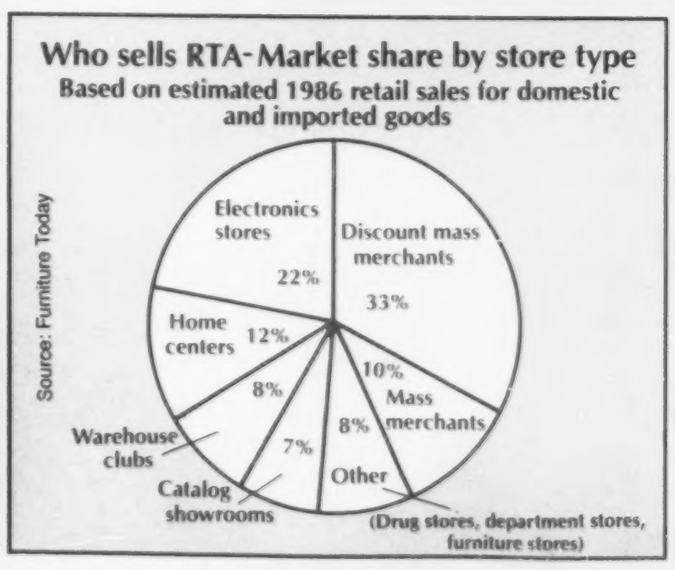




Home centers rank behind only mass merchants and electronics stores for share of the retail furniture market, and are making way for popular ready-to-assemble lines to be sold with unfinished furniture that, until recently, comprised the bulk of their stock. Photos above show furniture sold at Pergament's Riverhead, N.Y., store (top left); Builders Square in Brooklyn Park, Minn. (top right); and Lindsley in West Hollywood, Fla.

NHCN photos

Perspectives

merchandising

Furniture sales increase by up to 30% in home centers

(Continued from page 32)
furniture department expands into seasonal display space from September to December.

Home Centers have to set the boundaries for the product, and not all experiments with furniture have been successful. Chase-Pitkin, the Rochester, N.Y.-based chain, is now clearing out its dining tables, finding that they are better suited to furniture stores than home centers. The chain's August tab advertised a five-piece dining set for $199.99. After the sale, the floor space will be used instead for top sellers like bookcases and TV and computer furniture.

"People continue to shop home centers because the prices are more competitive," said Jerry Edwards vp-merchandising at Lowe's. "We don't stock living room and bedroom furniture which require big dollars. We know our targeted customers."

The top end of the line at Lowe's, based in North Wilkesboro, N.C., is the imported solid oak desk retailing for $399.

Other retailers continue to show renewed interest in the category. Payless Cashways, based in Kansas City, Mo., which has carried furniture in its Furrow and Somerville Lumber units, will test both finished and unfinished categories in its Omaha, Neb., store in October.

Unfinished not dead yet

Although many retailers have cut back on their offerings of unfinished furniture, others find that it still represents good value. The best-selling item in the furniture department at Anderson Lumber is the unfinished Whittier brand wood stool retailing at $39.95. Here, furniture sales have increased with the closing of unfinished specialty stores in the area.

"We are still buying unfinished, as it offers price points which we couldn't get in finished furniture," said the buyer for the East Coast operation. "It gives the customer with creativity a chance to finish it in color or stain."

Furniture accounts for 5.6% of sales

By an NHCN staff editor

NATIONAL REPORT — In 1985, furniture and furnishings departments contributed an average of 5.6% of total annual sales among home centers surveyed by Lebhar-Friedman Research in a recent study conducted for *National Home Center News*.

This was 1.5 percentage points more than in 1984 when the department contributed 4.1% of total sales. The study, conducted last August, was based on interviews with 50 buyers from major home centers.

More than three-fifths of those polled expected their sales volume from furniture and furnishings to rise this year by a mean of 13.7% over 1985.

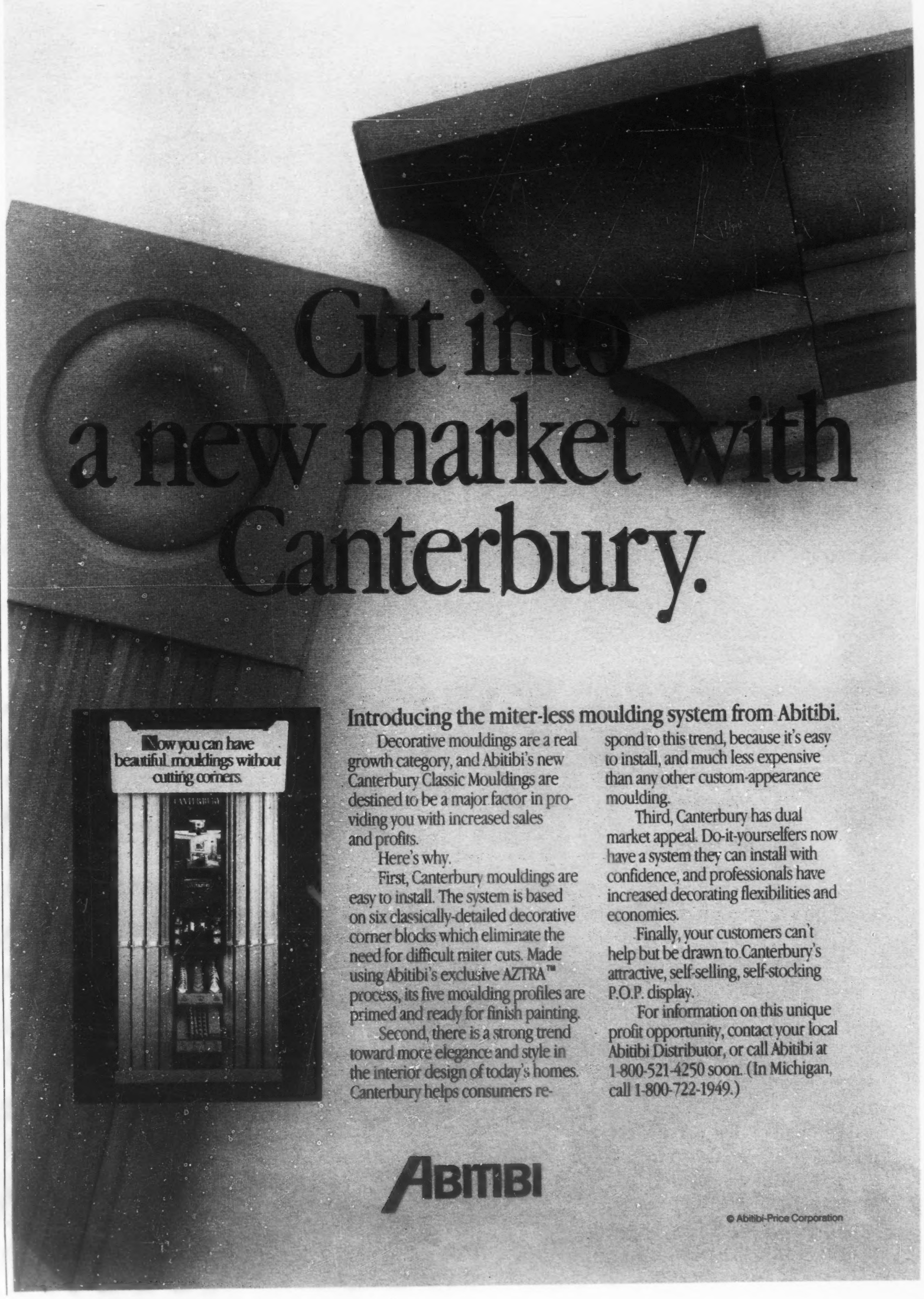
That increase is expected to be due, in part, to line expansion in the category, as over 60% had added one or more sku's in the past 12 months. The most popular additions to the merchandise mix included higher-quality RTA furniture in both finished and unfinished lines, including high-end imports, while electronic furniture and bedroom furniture were also common additions. In the next year, 34% of buyers expect to add one or more items.

However, the *NHCN* survey also found that dealers were none too optimistic about boosting margins in the category. Even the 32 dealers who expected their gross margins to rise this year expect the increase to be a mean of only 2.4%. Overall, the mean change in margins among all the dealers polled was 0.2%.

The furniture and furnishings department occupied an average of 1,600 sq. ft. among the 50 home centers surveyed. Space was expected to increase by a mean of 3.9% in the next year.

At present, four in 10 buyers carry imported merchandise, which accounts for 13.7% of the current merchandise mix, compared with 10.6% a year ago. Of those who currently do not carry imports, only 2% expected to add imported merchandise next year. In 1987, all buyers surveyed expected that 14.6% of their departments would be manufactured outside the U.S.

Imports would increase by only a small percentage in the next 12 months to a mean of 14.6% of the dealers' total furniture and furnishings mix.



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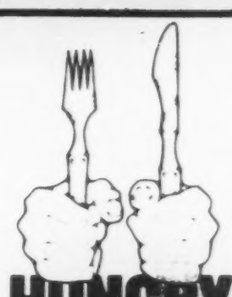

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East South Central sales to rise 19%

(Continued from page 12)

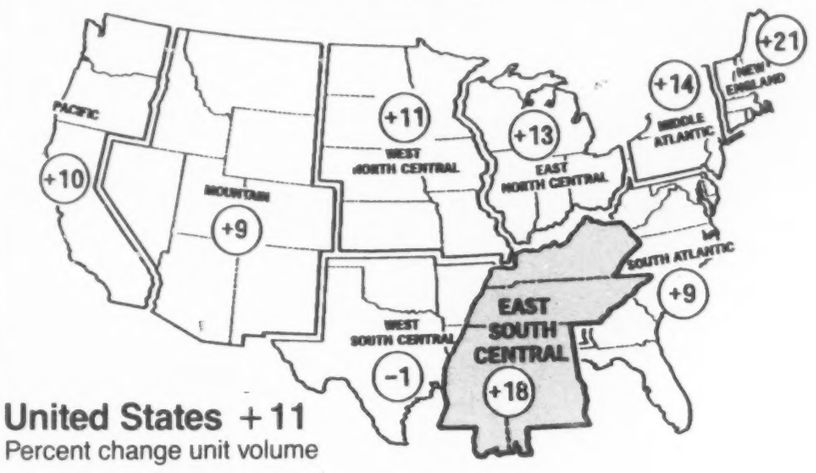
folds, the declining dollar and a rising national economy will increase local manufacturing. Employment in finance and services will remain strong, pushing demand for building materials up.

Second quarter building material and supply store sales, as estimated by Merrill Lynch Economics, are up 27% from a year ago in unit volume. But, they should decline for the rest of the year. It is the strength in the first half that causes the strong annual gain.

Improvements is a major factor in future demand as the sharp increase in housing starts in 1983 and 1984 will bring home buyers into the market for additions and alteration projects.

Building material and supply store sales outlook for 1986

Sales are real dollar increases vs. previous year after inflation



United States +11
Percent change unit volume

Tennessee

Tennessee will be the strongest market in the region this year with building material sales rising 21%. Resales rose 26% in 1985 and will advance 2% to 3% this year and next. Housing starts rose 7% in 1985 and 32% in 1984, making a strong market for additions and alterations spending.

Employment is up 3.2% from a year ago, with strong gains in services and government. The unemployment rate is 7.8%, the region's lowest.

Alabama

Building material sales will increase 19% in 1986. Housing starts and resales were up 17% last year. Employment is up 1% from a year ago wih finance up 5.8%. Manufacturing is down 0.8% due to the concentration in steel production and other types of heavy manufacturing. A major market for southern steel is oil field machinery, a market that has dropped with falling oil prices. The state has an unemployment rate of 10%.

Housing starts rose 94% in 1983, and enhancements to these buildings will begin now. The lower dollar and revival of national growth in 1987 will help this state.

Mississippi

Sales of building materials will rise 15% this year. Resales increased 11% in 1985, but housing starts dropped 19%. Employment is up 1.1% from a year ago with strong gains in finance and services. Construction, however, is down 3.2%. The unemployment rate is 12.6%, highest in the region.

Kentucky

Kentucky is apt to show the slowest increase in building material sales for the region, up 12%. Housing markets have not been strong. Starts were down 4% in 1985 and resales rose only 1%. Employment in manufacturing and mining are both down 1.1%. The state has been hurt by the weakness in coal. On the positive side, total employment is up 1.6%, spurred by a 6.1% rise in finance. The unemployment rate is 8.9%.

Rickel parent earnings rise 16% in 2Q

By an NHCN staff editor

WOODBRIDGE, N.J. — Supermarkets General Corporation, parent of 44-store Rickel Home Centers, recorded second quarter net earnings from continuing operations climbed to $21.1 million from $18.3 million, a 16% increase from the prior year.

For the three months ended Aug. 2, sales were $1.39 billion, an 11% gain from the comparable year-ago period's $1.25 billion. Earnings per share were 55 cents, up from 51 cents a year ago. The company noted that its earnings in the prior year benefited from a 2 cents per share non-operating gain resulting from the sale of surplus real estate.

Sales increased 8% in the Rickel Home Center division, but operating profit increased only modestly compared to the second quarter last year, said the company, due principally to slower than anticipated sales growth. Rickel opened two new stores and completed two major renovations during the quarter. Three new home centers are currently under construction.

For the six months ended Aug. 2, Supermarkets General's net earnings from continuing operations were $34 million, up 9.7% from $31 million, on sales of $2.7 billion, an 11% increase over the prior year's $2.44 billion. Earnings per share were 91 cents vs. 87 cents a year ago.

All per-share results were adjusted to reflect the company's 2-for-1 stock split on Aug. 1, and both years have been restated to exclude the results of the company's department store segment, which was sold during the just-completed quarter.

Net earnings, including the results of the department store segment, were 52 cents and 86 cents per share for the quarter and six-month periods, respectively, compared to 50 cents and 83 cents in the comparable periods last year.

A 4 cents per share loss resulting from the department store disposition is included in this year's results.

Leonard Lieberman, chairman, president and ceo, cited continuing strong results in the Pathmark division; an increase in operating profit from the Purity Supreme division; and a modest improvement in Rickel's contribution.

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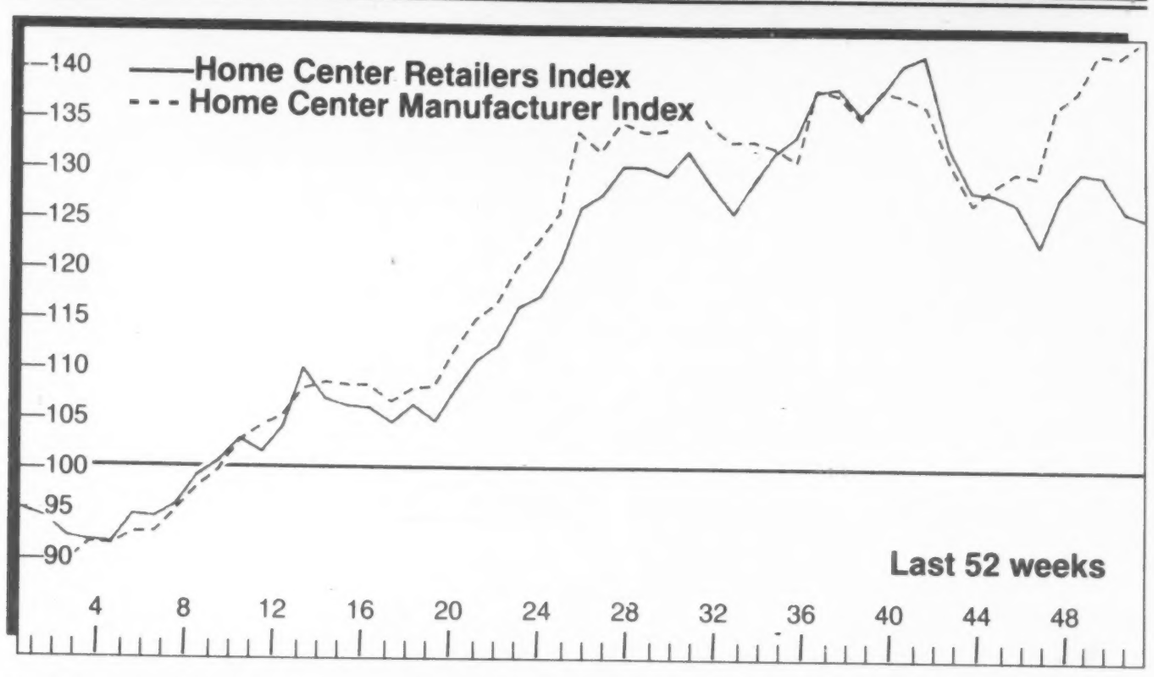
FINANCIAL NEWS

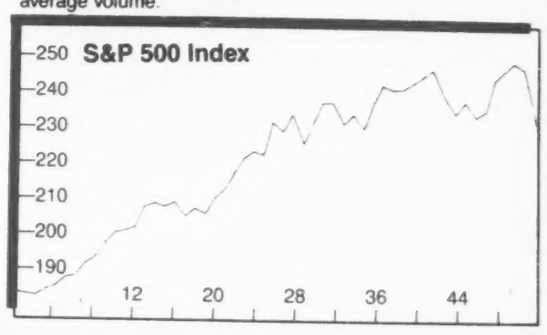


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
9-19-86	(100)	%	%
USG Corp N	71,284	472.8	3.3
Forest City Ent A	128	433.3	- 11.0
Hechinger A M	19,630	397.5	- 6.8
Pay N Pak N	9,913	356.7	- 25.9
Thos Inds N	2,858	352.9	- 15.1
Mor-Flo Inds M	323	323.3	- 3.4
Allegheny Int N	15,162	320.6	11.1
DeSoto Inc N	1,182	280.0	- 2.6
Zayre Corp N	67,110	231.8	- 9.6
Color Tile M	23,203	222.7	3.3

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 9-19-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Svc Merchandise M	11.38	18.2	49,076
Allegheny Int N	20.00	11.1	15,162
USG Corp N	43.50	3.3	71,284
Color Tile M	31.13	3.3	23,203
Stanline Inc M	9.75	2.6	419
Natl Hardgoods M	9.00	1.4	146
Losers	**$**	**%**	**(100)**
Pay N Pak N	10.38	- 25.9	9,913
Masco Corp N	24.38	- 17.4	33,921
Am Woodmark M	11.00	- 15.4	1,052
Thos Inds N	18.25	- 15.1	2,858
Walter, Jim N	45.25	- 14.6	13,746
SW Forest Ind N	15.00	- 14.3	4,785
Armstrng Wrld N	51.50	- 14.0	9,624
Supermkts Gen N	26.88	- 13.3	6,360
Emhart Corp N	32.38	- 11.9	6,966
K mart Cp N	46.00	- 11.8	65,892

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended 9-19-86 $	Price: 2-Weeks Change Amt. $	Price: 2-Weeks Change Pct. %	Price: 2-Week Range High $	Price: 2-Week Range Low $	Price: 52-Week Range High $	Price: 52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	Volume: 2-Weeks Shares Traded % Out %	Volume: 12-Week Avg. Vol. As % Out %	Volume: Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue Amt. $Mil	Latest Quarter: Revenue Chg. %	Latest Quarter: Net Income Amt. $Mil	Latest Quarter: Net Income Chg. %	Latest Quarter: E.P.S. Amt. $	Latest Quarter: E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Year-to-Date: Revenue Chg. %	Year-to-Date: Net Income Amt. $Mil	Year-to-Date: Net Income Chg. %	Year-to-Date: E.P.S. Amt. $	Year-to-Date: E.P.S. Chg. %
Retailers																													
Color Tile M	31.13	1.00	3.3	31.25	29.88	31.25	17.38	23,203	24.46	7.58	222.7	19.7	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber M	13.25	- 1.25	- 8.6	15.00	12.75	19.25	5.75	603	1.80	.67	168.7	7.6	.00	.0	.....	6 mos.	06-86	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent A	29.38	- 3.63	- 11.0	33.00	29.38	33.50	22.00	128	.16	.03	433.3	26.7	.30	1.0	NEW	6 mos.	07-86	43.3	- 19.1	6.4	88.2	.80	86.0	131.3	3.2	6.6	83.3	.83	84.4
Grace W R N	47.25	- 3.00	- 6.0	50.38	45.25	60.75	35.50	12,506	3.01	2.13	41.3	14.5	2.80	5.9	.....	6 mos.	06-86	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman A	30.25	- .50	- 1.6	31.00	30.25	36.00	21.75	168	.65	.47	38.3	13.1	.20	.7	.....	6 mos.	06-86	50.2	- 2.3	2.2	- 12.0	.85	- 14.1	112.8	- .6	2.0	- 60.0	.79	- 60.1
Hechinger A M	17.00	- 1.25	- 6.8	18.25	16.50	23.59	12.81	19,630	17.96	3.61	397.5	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	18.75	- .25	- 1.3	19.25	18.50	23.59	12.81	608	.37	.29	27.6	22.6	.06	.3	.....	6 mos.	07-86	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot N	18.25	- 1.75	- 8.8	20.00	17.00	21.75	10.50	7,087	2.81	1.69	66.3	29.0	.00	.0	.....	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc N	39.75	- 4.13	- 9.4	44.00	38.00	47.63	31.38	8,546	2.99	1.21	147.1	13.2	1.60	4.0	.....	3 mos.	05-86	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp N	46.00	- 6.13	- 11.8	52.13	45.25	57.38	30.63	65,892	5.23	2.41	117.0	20.3	1.48	3.2	.....	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos N	24.38	- 2.00	- 7.6	28.50	23.13	41.50	20.75	16,455	4.21	1.88	123.9	15.4	.40	1.6	.....	6 mos.	07-86	657.8	10.4	21.2	1.4	.54	- 6.9	1191.8	13.7	32.6	- .6	.85	- 6.6
Mich General A	2.50	- .25	- 9.1	2.88	2.25	5.25	2.25	2,545	2.24	1.09	105.5	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods M	9.00	.13	1.4	9.00	8.50	9.31	5.00	146	1.08	1.12	- 3.6	20.9	.00a	.0	.....	6 mos.	07-86	10.9	5.8	.4	100.0	.25	25.0	17.4	2.4	.4	33.3	.28	33.3
Natl Lumber M	4.75	- .25	- 5.0	5.25	4.50	7.00	4.00	608	1.08	.43	151.2	NE	.00	.0	.....	*	07-86	NC	NC	NC	NC	NC	NC	72.7	NC	(.7)	NC	(.12)	NC
Pay N Pak N	10.38	- 3.63	- 25.9	13.88	9.50	19.38	9.50	9,913	9.91	2.17	356.7	12.4	.40	3.9	.....	3 mos.	05-86	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash N	18.13	- 1.88	- 9.4	20.25	17.63	27.50	13.50	9,287	2.68	1.73	54.9	14.7	.16	.9	NEW	9 mos.	08-86	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc N	13.88	- .25	- 1.8	14.88	13.38	18.13	12.38	1,839	1.27	.44	188.6	13.1	.52	3.7	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck N	40.00	- 4.88	- 10.9	44.88	39.50	50.38	31.75	102,901	2.81	1.14	146.5	11.4	1.76	4.4	.....	6 mos.	06-86	10750.2	9.3	284.9	7.3	.77	6.9	20140.5	8.3	480.2	- 1.8	1.29	- 2.3
Svc Merchandise M	11.38	1.75	18.2	11.38	9.38	15.25	8.25	49,076	14.73	5.41	172.3	NE	.08	.7	.....	6 mos.	06-86	626.6	14.8	(9.3)	- 100.0	(.27)	- 100.0	1083.7	21.4	(38.5)	NE	(1.15)	NE
Std Brd Pnt N	21.13	- 2.75	- 11.5	24.25	21.00	25.75	18.75	5,560	4.92	2.17	126.7	17.6	.58	2.7	NEW	6 mos.	07-86	89.2	- 6.6	4.8	- 11.1	.42	- 12.5	167.0	- 5.3	8.1	- 20.6	.71	- 22.0
Supermkts Gen N	26.88	- 4.13	- 13.3	31.13	26.13	32.25	20.31	6,360	1.65	.86	91.9	14.9	.28	1.0	.....	6 mos.	07-86	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos A	4.50	- .50	- 10.0	5.00	4.00	7.00	3.88	95,450	5.38	2.50	115.2	16.7	.00	.0	.....	6 mos.	07-86	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	NE
Wolohan Lumber M	7.75	- .88	- 10.1	8.38	7.50	10.75	5.25	1,915	3.27	1.85	76.8	11.1	.16	2.1	.....	6 mos.	06-86	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp N	24.63	- 2.63	- 9.6	27.13	23.50	43.88	23.50	67,110	11.38	3.43	231.8	16.3	.32	1.3	.....	6 mos.	07-86	1212.7	35.4	9.0	- 43.8	.15	- 44.4	2257.2	33.9	25.7	- 17.6	.43	- 20.4
Wholesalers																													
Lewis Palmer M	9.00	- .25	- 2.7	9.25	8.63	9.88	6.38	1,245	3.17	1.43	121.7	29.0	.28b	3.1	.....	6 mos.	07-86	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanline Inc M	9.75	.25	2.6	10.50	9.50	12.75	6.13	419	2.59	1.76	47.2	11.1	.28	2.9	NEW	9 mos.	07-86	16.4	18.0	.5	66.7	.26	8.3	43.8	5.5	1.1	22.2	.64	- 8.6
Manufacturers																													
Allegheny Int N	20.00	2.00	11.1	22.88	17.75	28.75	11.38	15,162	14.09	3.35	320.6	NE	.00	.0	.....	6 mos.	06-86	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard N	38.50	- 1.50	- 3.8	41.00	38.00	46.88	27.50	16,533	4.40	1.54	185.7	7.6	1.60	4.2	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark M	11.00	- 2.00	- 15.4	12.75	10.00	14.75	10.00	1,052	1.71	NC	NC	11.2	.00	.0	.....	3 mos.	07-86	28.4	16.9	1.8	63.6	.30	36.4	28.4	16.9	1.8	63.6	.30	36.4
Armstrng Wrld N	51.50	- 8.38	- 14.0	60.88	49.75	69.88	33.00	9,624	4.00	1.48	170.3	11.5	1.44	2.8	.....	6 mos.	06-86	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker N	16.00	- 1.00	- 5.9	17.38	15.38	25.25	14.50	18,301	3.16	2.11	49.8	24.2	.40	2.5	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade N	56.50	- 4.50	- 7.4	61.50	55.75	61.50	39.63	12,348	4.22	2.10	101.0	17.9	1.90	3.4	.....	6 mos.	06-86	945.1	- .8	31.3	- 1.3	1.07	.0	1861.7	- 2.5	56.3	- 13.4	1.90	- 13.2
Certain-teed N	28.38	- .13	- .4	28.75	26.88	38.50	22.38	3,439	1.81	1.01	79.2	9.8	.90	3.2	.....	6 mos.	06-86	286.1	- 1.7	16.2	- 1.8	.85	1.2	541.1	- .5	26.7	8.1	1.41	12.8
Champ Intl N	25.00	- 2.00	- 7.4	27.13	24.50	29.75	20.25	36,958	3.91	1.90	105.8	17.2	.52	2.1	.....	6 mos.	06-86	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc N	37.00	- 1.00	- 2.6	37.75	34.25	41.38	31.50	1,182	2.47	.65	280.0	12.4	1.40	3.8	.....	6 mos.	06-86	131.5	2.8	4.9	- 23.4	1.02	- 23.9	228.3	3.3	7.3	1.4	1.53	1.3
Emhart Corp N	32.38	- 4.38	- 11.9	36.88	31.75	42.63	26.38	6,966	2.29	.72	218.1	12.0	1.40	4.3	.....	6 mos.	06-86	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Georgia-Pacific N	35.38	- 1.00	- 2.7	37.13	34.00	37.13	20.63	58,974	5.69	1.81	214.4	23.0	.80	2.3	.....	6 mos.	06-86	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp N	20.38	- 1.00	- 4.7	21.88	19.50	24.75	16.63	2,890	1.47	1.08	36.1	14.8	1.00	4.9	.....	6 mos.	06-86	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific N	26.50	- 1.25	- 4.5	27.88	25.00	30.13	17.13	10,775	2.91	1.16	150.9	21.5	.80b	3.0	.....	6 mos.	06-86	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel M	25.50	- 1.63	- 6.0	27.63	25.25	28.63	12.47	532	.17	.07	142.9	NA	.50b	NA	.....	6 mos.	06-86	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp N	2.38	.00	.0	2.63	2.25	8.88	2.00	8,072	3.36	1.80	86.7	NE	.00	.0	.....	6 mos.	06-86	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp N	24.38	- 5.13	- 17.4	29.50	23.50	34.50	15.31	33,921	2.63	.83	216.9	17.3	.36	1.5	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds M	14.00	- .50	- 3.4	14.50	13.25	19.25	13.25	323	1.27	.30	323.3	15.4	.01	.1	.....	6 mos.	06-86	48.3	- 9.9	.8	- 52.9	.32	- 53.6	100.7	- 5.0	1.5	- 55.9	.60	- 55.2
Newell Co N	25.13	- 2.88	- 10.3	27.63	24.00	36.75	16.25	2,291	2.04	1.49	36.9	11.9	.70	2.8	.....	6 mos.	06-86	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning N	77.00	- 2.50	- 3.1	80.00	76.50	82.50	32.13	36,718	12.32	12.08	2.0	16.3	1.40	1.8	.....	6 mos.	06-86	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem A	11.13	- 1.25	- 10.1	12.88	11.13	15.50	10.09	2,876	3.91	1.74	124.7	12.8	.12	1.1	.....	6 mos.	06-86	59.1	38.1	2.4	166.7	.30	100.0	109.7	31.4	4.4	120.0	.56	60.0
Pope & Talbot N	19.50	- 1.50	- 7.1	21.25	19.00	24.75	16.88	931	1.55	.69	124.6	20.5	.80	4.1	.....	6 mos.	06-86	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp N	55.50	- 2.75	- 4.7	61.00	51.50	61.00	33.00	4,297	3.29	1.07	207.5	17.0	1.56	2.8	.....	6 mos.	06-86	249.9	.5	19.5	85.7	1.40	129.5	483.2	.0	33.1	50.5	2.35	83.6
Sherwin-Wms N	24.50	- 1.88	- 7.1	27.50	22.75	32.25	17.19	10,369	2.25	1.79	25.7	14.8	.50	2.0	.....	6 mos.	06-86	598.3	- 1.4	30.5	7.0	.65	4.8	1101.0	.2	37.4	9.4	.80	6.7
SW Forest Ind N	15.00	- 2.50	- 14.3	17.50	14.38	17.50	9.88	4,785	4.73	2.92	62.0	NE	.00	.0	.....	6 mos.	06-86	158.5	- 11.4	(4.0)	NE	(.25)	NE	301.0	- 13.8	(12.0)	NE	(1.19)	NE
Stanley Works N	36.75	- 4.38	- 10.6	42.75	36.00	46.25	27.75	4,492	1.61	.82	96.3	12.7	1.14	3.1	.....	6 mos.	06-86	402.6	29.1	20.5	6.8	.73	4.3	726.8	23.4	35.2	6.0	1.26	3.3
Thos Inds N	18.25	- 3.25	- 15.1	22.00	17.50	26.75	16.19	2,858	3.17	.70	352.9	9.9	.68b	3.7	.....	6 mos.	06-86	77.1	- 2.3	4.3	10.3	.47	4.4	147.9	- 3.2	7.5	5.6	.83	5.1
USG Corp N	43.50	1.38	3.3	46.50	37.50	46.50	18.31	71,284	10.54	1.84	472.8	11.6	1.12	2.6	.....	6 mos.	06-86	752.6	16.6	76.2	23.5	1.15	25.0	1374.7	11.4	127.9	22.7	1.96	25.6
Walter, Jim N	45.25	- 7.75	- 14.6	52.63	44.00	54.63	26.09	13,746	4.74	2.35	101.7	17.0	1.40	3.1	.....	9 mos.	05-86	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind M	13.75	- 1.00	- 6.8	15.25	13.75	17.13	10.00	478	1.52	1.88	- 19.1	15.3	.08	.6	.....	fiscal	06-86	27.7	30.0	1.0	100.0	.32	39.1	97.8	18.3	2.8	27.3	.90	1.1
Weyerhaeuser N	35.00	- 3.25	- 8.5	38.38	34.25	40.25	24.75	37,538	2.88	1.19	142.0	24.3	1.30	3.7	.....	6 mos.	06-86	1497.4	6.9	68.4	14.6	.46	12.2	2804.1	4.8	118.4	20.9	.77	18.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National Home Center News®

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Lindsley halves chain into leaner package

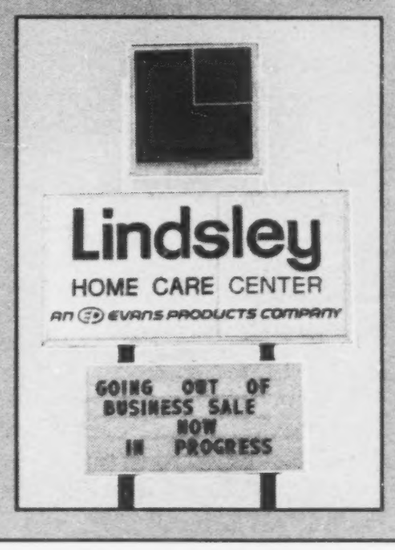
By Donald Longo
NHCN staff editor

MIAMI BEACH — Lindsley began closing 23 of its 43 Florida home improvement stores last month, part of its efforts to become a more streamlined operation with a vastly altered merchandising strategy.

The Evans Products subsidiary, which had been operating under the constraints of its parent's Chapter 11 filing for more than 18 months, will be left with 19 stores on Florida's southeast coast and one in Charlotte Harbor in southwest Florida.

Sources familiar with the chain said that Lindsley appears to be closing its unprofitable stores and consolidating the remainder into a more profitable,

(Continued on page 62)



Handyman may shut units unless chain finds buyer

By an NHCN staff editor

SAN DIEGO — Fifteen months after going public, Handyman here announced it would close its 53 California and Arizona stores by year-end unless the chain is sold.

The surprise announcement Sept. 25 was driven by Handyman's majority stockholder, Edison Brothers Stores, which intends to sell off its interest. Edison, the former owner of Handyman, retains an approximate 30% stake in Handyman's 2.6 million outstanding shares, according to a senior vp for Shearson Lehman Brothers, the New York investment firm designated to make the sale.

(Continued on page 62)

Handyman execs on AMEX floor in July 1985, celebrated their firm's new life as a public company separate from former parent, Edison Brothers. Today, they are facing the pending sale of their company. From left to right: Alan D. Miller, cfo; Harvey W. Rosen, president; and William E. Tilburg, exec vp. Courtesy AMEX

Builderama's owner sells chain to better compete with 'Big Boys'

Don Kole

By Laura Liebeck
NHCN staff editor

SAVANNAH, Ga.—"The home center game is getting to be a game of bigness. I felt an inadequacy in financial clout to compete with the big fellows."

So explained Donald Kole, who on Sept. 23 sold his seven-unit Builderama chain here to Wiener Enterprises, the New Orleans, La.-based division of Ward-White USA, for an undisclosed sum. The deal was the culmination of a six-month-long effort by Kole to sell all of his stock in the operation.

Builderama, which was founded by Kole's father-in-law, Samuel Robinson, in 1943, had sales last year of $23 million from four retail outlets and two contractor yards. Kole said he expects to post sales this year of between $28 million and $30 million.

Kole said the financial back-

(Continued on page 61)

Sentry members aid Worthington in Ch. 11

By Gary S. Ruderman
NHCN staff editor

MENTOR, Ohio — The effects of the financial travails and Sept. 24 bankruptcy filing by Geo. Worthington Co. on Sentry Hardware, the national marketing group to which it belongs, were minimized by the help Worthington received from Sentry's other distributor-members during the period it couldn't get merchandise.

Ron Pink, the managing director of the Des Plaines, Ill., Sentry, said that an unspecified number of dealers previously supplied by Worthington have "unquestionably" switched wholesalers in recent months. However, Pink felt that the Chapter 11 filing will probably strengthen its

(Continued on page 61)

Proposed tariff, strike throw lumber market into frenzy

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT—The likelihood of a tariff on Canadian lumber and a two-month-old mill workers strike in British Columbia have lumber buyers following a "wait-and-see" buying attitude.

The effect has produced a highly volatile market, with drops in mill orders, unseasonably high prices and disappearance of certain Canadian products from the pipeline.

An 11th-hour proposal to thwart a tariff was submitted by the Canadian forest products producers Sept. 30 to the United States Trade Representative (USTR). But in an Oct. 2 briefing, the Coalition for Fair Lumber Imports (CFLI) rejected the Canadians' plans and pressed for the enactment of a 27% to 32% countervailing duty on Canadian lumber.

The International Trade Administration (ITA) was expected to announce a tariff on Oct. 9. It has until Oct. 16 to make a decision.

Industry sources said the Canadian plan called for the implementation of administrative and manufacturing changes that would raise Canadian stumpage prices 10%.

The differences between American and Canadian stumpage prices have been the root cause of the fervor to establish a tariff. The CFLI argues that the Canadian government subsidizes its forest products industry, creating a noncompetitive stumpage pricing system that can harvest trees that are several hundred dollars per board foot less than American bids.

The angst fueled by the proposed tariff on Canadian lumber and the unexpectedly long Canadian workers strike have influenced lumber trading, supply levels and pricing, especially on the East Coast.

Hawk Furman, president of Boston-based Furman Lumber, a major softwood distributor, said the strike has kept 30 million bd. ft. of lumber off the market daily and has dried up border reload centers.

Stephen Sabbeth, president of Sabbeth Industries, a softwood and specialty wood products wholesaler in Deer Park, N.Y., said his customers are extremely skittish.

Sabbeth said the situation has created "a ripple effect

(Continued on page 16)

INSIDE

Canada's Beaver Lumber aims to win the West—Page 21
Franchising key to Beaver strategy—Page 28

Decorator strategies bring paneling back to life—Page 34
New panel group spreads the word—Page 36

NEWSBREAKS

SCOTTY'S PUTS PLANT ON BLOCK: The Florida chain will sell its 22-month-old manufacturing plant in Winter Haven to redeploy assets into its retail business.

GRACE CUTS CORPORATE STAFF: W.R. Grace accelerated its restructuring plans and will eliminate more than 200 jobs from its corporate headquarters. Early retirement and other reductions in payroll will result in a $5 million nonrecurring charge but will reduce corporate overhead by $25 million by 1987.

INDUSTRY UPDATE

Payless buys Knox for $28M

KANSAS CITY, Mo. — Payless Cashways, the 172-unit retailer headquartered here, is paying $28 million for Knox Lumber, St. Paul, Minn., according to an Oct.2 10-Q filing with the Securities and Exchange Commission (SEC).

The Payless acquisition of the 10-unit chain, which will be financed with existing cash, according to the SEC document, should be completed on schedule by Oct. 24.

Yard King opens 2nd Fla. unit

POMPANO BEACH, Fla. — Yard King Warehouse, the single-unit lawn, garden and outdoor power equipment retailer based here, planned an Oct. 17 grand opening for its second unit, a 31,000-sq.-ft. store that will serve as prototype for the budding chain.

Located in North Lauderdale, at the intersection of State Road 7 and McNab Avenue, the new store is nearly 8,000 sq. ft. larger than the company's first unit, which is situated in Plantation, Fla. Its 17,000 sq. ft. of interior sales space holds approximately 7,000 stock keeping units worth about $600,000.

A third Yard King Warehouse will open in December in an upscale shopping center called the Kendall Town and Country Mall, southwest of Miami.

Rickel liable in singer's death

BROOKLYN, N.Y. — Rickel Home Centers, and its parent, Supermarkets General, have been assessed one of the largest fines in the industry's history for Rickel's involvement in the 1981 death of songwriter Harry Chapin.

On Oct. 6 a federal court here awarded Chapin's family $7.2 million for his death that resulted from his car colliding with a Rickel truck on the Long Island Expressway and bursting into flames on July 16, 1981. The court found Rickel and Supermarkets General 60% liable.

Rickel's attorneys, who during the trial depicted Chapin as a faltering artist with little future earnings potential who gave much of his income away to charity, indicated they would not appeal the award.

Hancock moves to new locale

CASCO, Me.— Hancock Lumber will relieve congestion in its smallest store in Kennebunk, Me., by moving to a new site, further along Route 1 on Dec. 6.

The move will help the company boost both contractor and homeowner sales at Kennebunk from $2 million to $4 million a year, according to Tom Hancock, executive vp at the six-unit company.

The new store, located in a former Mobile Home warehouse, will have a 6,000-sq.-ft. retail showroom and a 30,000-sq.-ft. warehouse.

O-C consolidates sales force

TOLEDO, Ohio — Owens-Corning's restructuring effort will include consolidating the roofing, ceiling and insulation sales force.

Joe Doherty, vp communications, said it was "too early to speculate" on whether O-C will need to lay workers off or close parts of its business, most specifically its wholesaling division.

Shareholders will vote on the company's recapitalization program during the week of Oct. 27 or Nov. 3.

Industry issues bounce back

NEW YORK — Industry issues bounced back from the beating they took during the early September market plunge. For the two week period ended Oct. 3, 29 stocks gained in price, 22 declined and 5 were unchanged.

Handyman, the San Diego chain, was the period's biggest gainer, climbing 47.9% to $44.75. The stock price gain coincided with the company's announcement of its intent to sell the 53-store chain *(see story, page 1)*.

Other retail gainers were Standard Brands Paint, up 22.5% to $25.88, and Erb Lumber, up 18.9% to $15.75.

The leading price loser was Diamond Lumber's parent, Michigan General, which declined 20% to close at $2.00.

(See financial table, page 60).

29 Gainers

5 Unchanged

22 Losers

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Five years after going private Fred Meyer plans stock offering

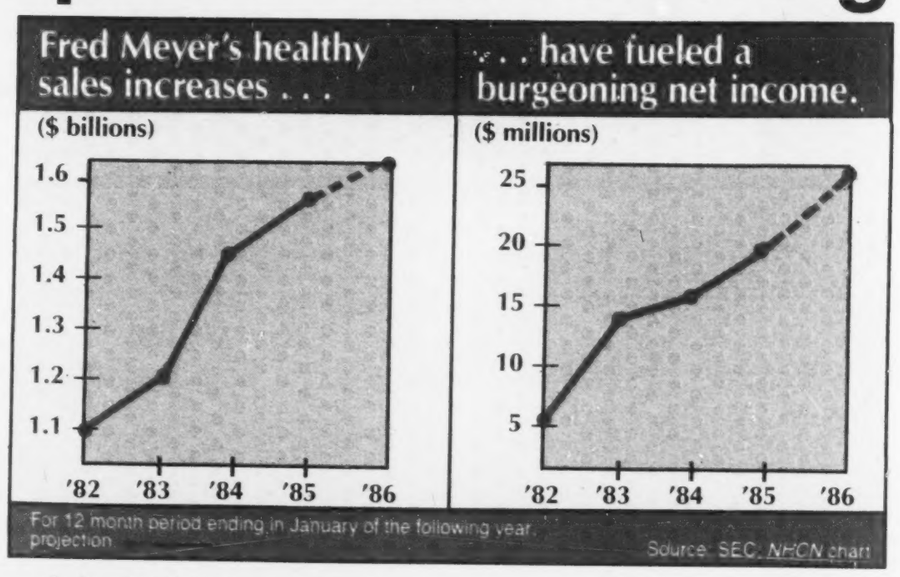
By Phillip M. Perry
NHCN staff editor

PORTLAND, Ore. — Fred Meyer, the $1.6 billion chain of 93 general stores in the Northwest, said it plans to make an initial public offering of 6.75 million shares of common stock by the end of this month.

Goldman, Sachs & Co. and Shearson Lehman Brothers are the lead underwriters for the offering which is expected to net $75.2 million for Meyer. Of the shares being sold, 2.25 million are being sold by current shareholders and 4.5 million by the company.

The shares are expected to sell for $18 each. After the offering, the company will have 21.3 million shares outstanding.

Meyer, which devotes about 19% of the showroom space in 67 of its stores to home improvement and garden items and generates an estimated $220 million from these departments, said the primary purpose of returning to the public market only five years after it went private would be to reduce its outstanding debt.



High interest on debt

Meyer currently has $133.9 million in long term debt. The company said it would use the cash it obtains from the stock offering to cut that amount to $61.7 million.

In particular, the company said it would rid its balance sheet of some bonds it has been carrying at 17% interest.

The cash infusion should cut the firm's long term debt from a current level of 67.3% of total capitalization to a new level of 30.2%.

Additional growth capital

The cash will allow the company to continue its drive to open larger stores, and expand older ones.

In a filing last month with the SEC, Meyer said that by the end of January, 1988, it plans to open four additional stores, adding 513,000 sq. ft. to its total retail space. It also plans to remodel six of its current stores, adding 129,000 sq. ft. The company did not reveal the locations of the new stores. Meyer now operates units in the states of Washington, Oregon, Idaho, Montana, Utah and Alaska. The company remodeled 15 stores last year, up from nine the year before and only four in 1983.

According to its SEC filing, Meyer's capital expenditures came to $46.2 million last year. While such expenditures are expected to be about the same amount this year, they are projected to rise to $65 million in 1987.

(Continued on page 61)

Housewares shows scramble to fill void

NATIONAL REPORT — Ever since the National Housewares Manufacturers Association (NHMA) announced earlier this year that it would hold only one show a year beginning in 1987, there has been a proliferation of small housewares shows.

Currently, four other housewares expositions have been announced, the latest being the Housewares Industry Tradeshow produced by Thalheim Expositions of Manhasset, N.Y., and HouseWorld Expo, by The Interface Group, Needham, Mass.

The Housewares Industry Tradeshow will be held in New York City, June 26 to 29, beginning in 1988. HouseWorld Expo will he held in Las Vegas, Nev., from August 31 to Sept. 2, 1987.

Prior to that, Bill Glasgow, president of William T. Glasgow Inc., South Holland, Ill., announced that he is sponsoring the Summer Housewares Show at Chicago's McCormick Place next July 20 to 22 "as a continuation" of the NHMA's July's event. Tower Conference Management Co., Wheaton, Ill., will hold a Fall Housewares Show next Sept. 27-30 in Atlantic City, N.J.

Clearly, the shows would not have been developed had the NHMA not decided to hold one show a year. In fact, Glasgow said he "picked up the dates almost the minute the NHMA decided to go to one show a year." He is using McCormick Place East, the main building which has 750,000 sq. ft. gross.

Ron Fippinger, show manager for The Interface Group and formerly executive director of the NHMA, asserted that many groups have tried for years to develop other housewares shows but failed. Now the arena is wide open, but the contenders agree there isn't room for all of them.

Fippinger noted that HouseWorld's goal is to be "the second best event" after the NHMA's annual April show, held in Chicago's McCormick Place.

HouseWorld Expo, formed officially on Sept. 15, will be an international show. The others are national in scope. Held at the Las Vegas Convention Center, Fippinger said Houseworld Expo already has 300,000 sq. ft. of exhibition space reserved and is drawing up plans for an additional 150,000 sq. ft.

(Continued on page 62)

Sentry adds two new members

By an NHCN staff editor

DES PLAINES, Ill. — Sentry Hardware, the wholesalers marketing group here, in recent weeks has been able to corral two new distributors that give Sentry greater market penetration into the Midwest and South.

The additions, which bring Sentry's total membership to 17, also took some of the sting out of last month's decision by one of Sentry's largest wholesalers, Geo. Worthington Co., to file for Chapter 11 protection against $33 million in liabilities and 5,000 creditors.

This bad news was tempered by the new additions to Sentry's organization of Blish-Mize Co. and S&T Hardware Co. Blish-Mize, based in Achison, Kan., supplies hardware to around 1,700 to 2,000 dealers in Arkansas, Colorado, Kansas, Missouri, Nebraska, Oklahoma, Texas and Wyoming. The company stocks 35,000 stockkeeping units and ships from its 235,000-sq.-ft. DC in Atchison.

(Continued on page 61)

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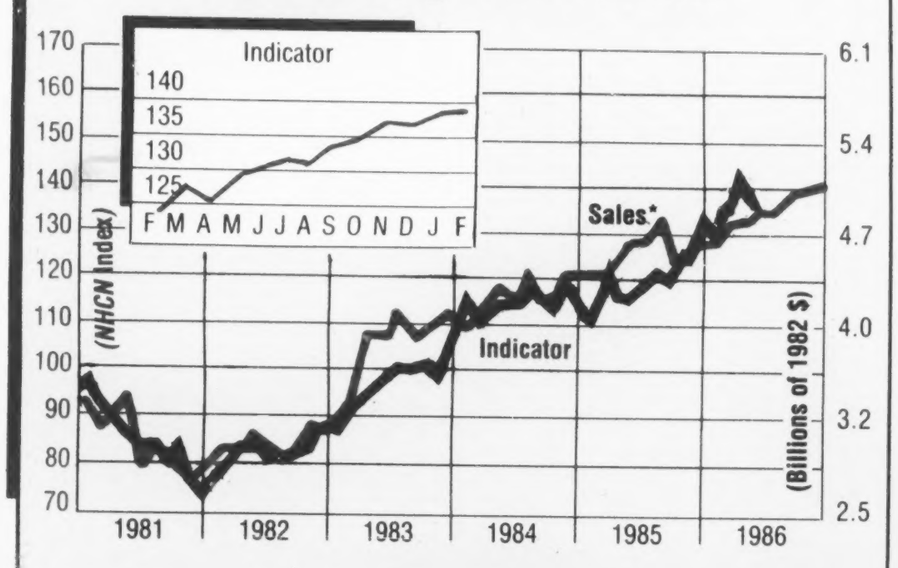

*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator is projecting an expansion in building material sales in the first quarter of 1987. Resales were up in the second and third quarters and will increase building material demand.*

Strong home resale markets to spark 1987 material sales

By Richard E. Mount
Special to NHCN

Strong home resale markets will be a major cause of growth in building material sales this year and next. Building material sales will increase 11% this year and 9% in 1987, strong gains in a generally lackluster economy. Removing the influence of inflation, unit sales will rise 11% in 1986 and 5% in 1987.

Richard E. Mount

Recent resale patterns

Resales were the strongest housing market in 1985, up 12% versus 8% for new sales and a 1% decline in single-unit starts. The sharp rise in resales increased retail sales of building materials in the first half of 1986 as buyers upgraded homes. Now that buyers have settled into these homes, major improvements are beginning.

Resales did not participate in the boom in housing activity during the first half of 1986. The sharp drop in mortgage rates that followed the fall off in energy prices, encouraged buyers to look at new, rather than existing homes. New home sales in March reached a historic high with April not far behind. But resales remained 1% below the fourth quarter pace of 1985.

Resales are beginning to rise now while new home sales decline. Resales, in the last two months, were up. August was the highest level in the 1980's. New home sales, in contrast, have been down for five consecutive months, with August 36% below March.

Resales will increase 7% in 1986 and 1% in 1987. Interest

(Continued on page 13)

General Business Conditions

	1985		1986				1987				
	QIII	QIV	QI	QII	QIII	QIV	QI	QII	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)	121.0	123.4	124.7	127.9	132.1	136.6	138.8	139.9	118.5	130.3	140.8
General Economic Outlook											
GNP $1982 Billion	3,603.8	3,622.3	3,655.9	3,661.4	3,678.0	3,688.1	3,697.8	3,720.9	3,585.2	3,670.9	3,735.1
Real Disposable Income $1982 Bil.	2,524.7	2,540.7	2,581.2	2,625.8	2,619.5	2,629.3	2,642.9	2,655.8	2,528.0	2,614.0	2,662.9
Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,750	1,650	1,550	1,610	1,739	1,767	1,621
Housing Starts (000 SAAR)	1,688	1,773	1,988	1,908	1,820	1,720	1,650	1,700	1,742	1,859	1,709
New Home Sales (000 SAAR)	711	696	789	789	675	700	710	710	686	738	730
Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,560	3,425	3,425	3,450	3,216	3,428	3,449
Prime Rate %	9.5	9.5	9.4	8.6	7.8	7.4	7.0	6.8	9.9	8.3	6.7
Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.0	9.9	9.5	9.3	12.5	10.2	9.4
Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.6	331.4	334.0	337.0	322.1	328.5	338.8
Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.3	290.3	292.7	295.6	293.9	289.7	297.2
New Housing Affordability 1980-100)	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8
Residential Alterations and Repairs											
Current **Total $ millions SAAR**	77,800	90,600	84,965	87,508	90,543	92,903	94,567	96,069	80,267	88,980	97,902
Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant **Total Millions $1977 SAAR**	45,368	51,857	48,150	49,100	50,300	51,100	51,500	51,800	46,985	49,663	52,513
Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125
Retail Trade Activity											
Current **Total $ millions SAAR**	1,399,296	1,388,316	1,404,932	1,419,968	1,433,024	1,464,688	1,486,994	1,511,810	1,373,941	1,430,653	1,522,036
Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,648	1,098,004	1,125,010	1,143,813	1,163,970	1,061,148	1,104,255	1,173,224
Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,208	80,365	81,592	84,105	85,539	74,062	82,767	85,920
Building Material and Supply	53,736	56,976	61,180	62,612	59,101	55,400	60,879	63,310	53,841	59,573	65,173
Hardware	11,116	11,572	11,416	11,404	11,719	11,889	12,211	12,441	11,092	11,607	12,477
Constant **Total Millions $1982 SAAR**	1,308,139	1,288,244	1,306,567	1,337,066	1,336,000	1,352,000	1,359,000	1,368,000	1,282,772	1,332,908	1,370,250
Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,048,995	1,038,000	1,053,000	1,060,000	1,068,000	997,299	1,041,839	1,071,000
Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,242	76,800	77,200	78,790	79,340	70,215	78,751	79,290
Building Material and Supply	51,144	53,749	57,422	60,432	56,200	51,800	56,360	58,030	51,035	56,464	59,410
Hardware	10,580	10,918	10,717	11,008	11,200	11,250	11,440	11,540	10,507	11,044	11,515
Building Materials % of Total Less Automobile ($Current)	5.04	5.26	5.59	5.70	5.38	4.92	5.32	5.44	5.07	5.39	5.56

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
October 2, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

McLendon Hardware battles for market share in Wash.

By an NHCN staff editor

RENTON, Wash. — Officials with McLendon Hardware, founded 60 years ago in this Seattle suburb, say they're worried.

HomeClub opened a new 100,000-sq.-ft. membership warehouse a few miles south of two-unit McLendon Hardware's flagship store here in late August.

"I'm apprehensive," said vp and coo Dorothy Thompson. "Our cost for a five-gallon container of roof coating is $10.77. We sell it in our store for $16.99. At HomeClub, it's sold for $10.99."

Although McLendon Hardware is "just like an institution," Thompson said she believes that loyalty only goes so far. "Customers are fickle.

"We have employees who can tell you how to rewire a house. A lot of customers pick our brains. Then they buy at Pay 'N Pak."

To respond to the market's emerging price sensitivity, McLendon is "lowering our prices," she said. It also is continuing a longtime tradition of giving customers who pay cash a 10% discount.

A circular printed on Aug. 21, a week before the HomeClub grand opening in Kent, Wash., sums up the McLendon philosophy: "McLendon has consistently sold the best quality name-brand products at a fair price, not always the low-end nor the cheapest, but the best quality and value for your money."

The store's 50,000 stockkeeping unit mix includes lumber, but Thompson said it is stocked for the customer's "convenience. Since 1981 we have dabbled in lumber to make us a one-stop location for the customer. We don't make any money on it."

McLendon has two stores: the 60,000-sq.-ft. flagship in Renton and a 70,000-sq.-ft. outlet in Sumner, Wash., north of Tacoma. It owns a 30,000-sq.-ft. warehouse. Combined, the stores generate annual sales of more than $12 million, Thompson said. Gross margins are about 30%.

McLendon has 85 employees, many of whom are members of the founding owners' family. Dorothy Thompson's brother, Robert McLendon, is president and ceo.

McLendon Hardware has been a community fixture. Its predecessor was U.S. Junk, a 10,000-sq.-ft. store founded in 1926 by Moses James "Pop" McLendon, the father of six children, ages 45 to 65 today, who now run the business.

U.S. Junk sold used mattresses and fruit jars to survive during its early years. Thompson said customers used the fruit jars as moonshine containers, "but we didn't know that."

U.S Junk became McLendon Hardware in 1950.

Pop died in 1979 at age 86, six years after his wife, Helen-Sixteen grandchildren and two great-grandchildren are on the store payroll.

The McLendon brood includes 18 grandchildren and 15 great-grandchildren.

In 1971, McLendon opened a second, 20,000-sq.-ft. store in Sumner. It was replaced by the current 70,000-sq.-ft. outlet in 1982.

In June 1981, a $3 million fire, caused by a short circuit in an overloaded extension cord, destroyed the 30,000-sq.-ft. wood-and-brick Renton store. Eighteen months later, the new Renton store was open for business.

Since the fire, annual sales have increased by 5% to 1. That compares with growth rates of up to 20% a year during the 1970s and early 1980s.

Despite the slower growth pace and increased market competition, Thompson said she is optimistic. The family is looking for "eight to 10 acres" to build a third unit on the north side of Seattle. Thompson said it will be 100,000 sq. ft., the same size as HomeClub's nearby outlet.

Strong resale market to boost material sales

(Continued from page 12)

rates are headed lower through the first half of next year. The slow economy and a probable discount rate cut by the Federal Reserve Bank by year's end will reduce the cost of borrowed funds. Mortgage rates are headed for single digits by the end of this year and will be down to 9.25% in mid-1987.

Demographics remain a driving force for resales. The end of the post-war baby boomers are establishing families and starter homes are needed. The rise in households with single parents and nonrelated individuals persists, requiring additional units. As long as the economy does not constrict, employment will expand, allowing for additional household formation.

Demand for housing will continue to shift from new homes to resales through 1987. Average resale prices are about $10,000 less than new. Unless interest rates drop sharply, as they did in the first half of the year, resales will be preferred because of lower prices. Problems in energy and agricultural states persist, putting many homes on the market at prices well below new. The tax proposal lowers marginal tax rates, raising the after-tax cost of housing. Some taxpayers will prefer less costly resales over smaller new homes.

Building material sales

Building material sales will increase 11% this year and 9% in 1987, sustained by the 12% gain in resales in 1985 and continued strength through 1987. Building material demand climbs in the period immediately following the purchase of an existing home as minor improvements are made, and continues for one to two years after, when major renovations are begun.

For building material retailers, stores situated in areas having healthy resale activity will enjoy stronger business during the next two years.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

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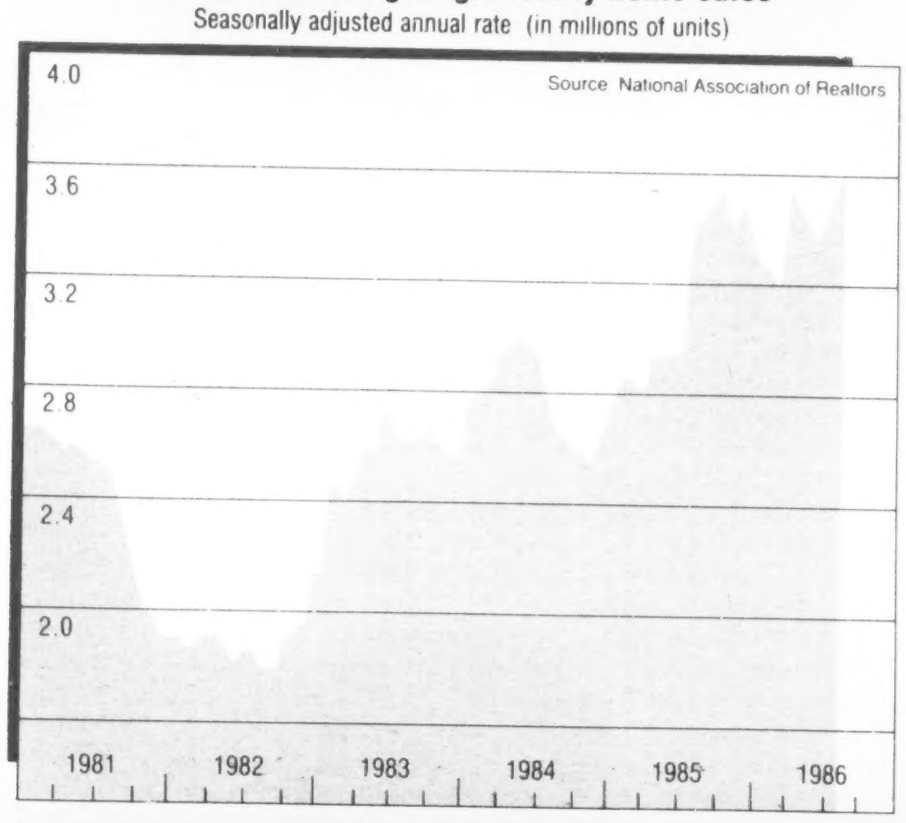
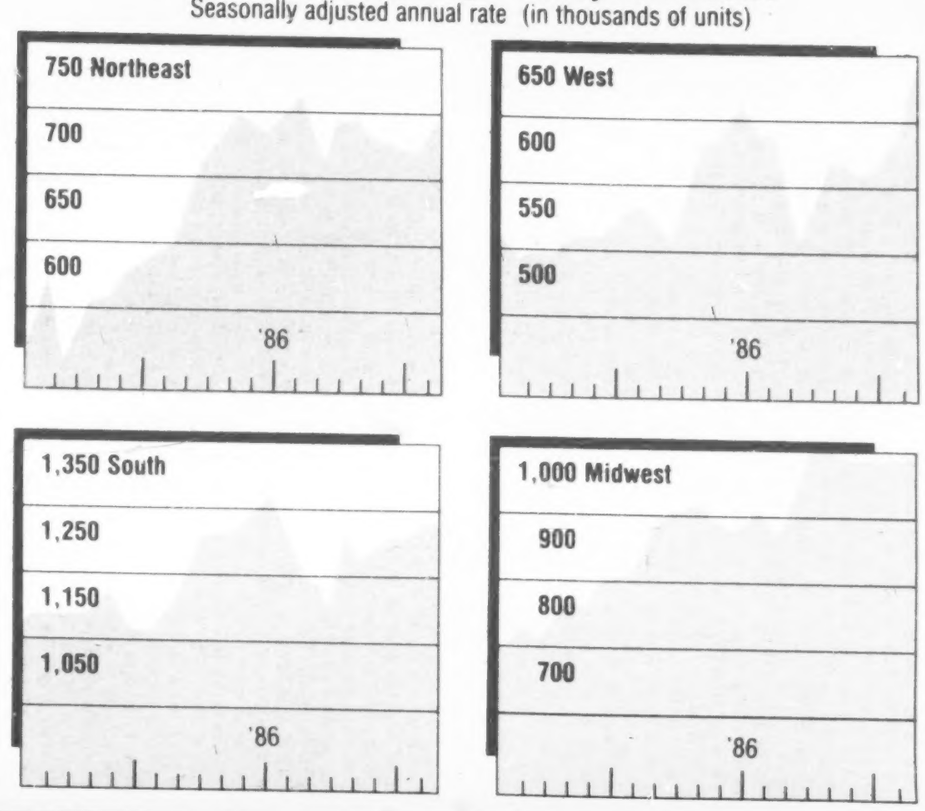
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Housing resale rate surges 7% in August

By an NHCN staff editor

NATIONAL REPORT — The resale home market surged 7% in August, to a seasonally adjusted annual rate of 3.69 million units, the highest level in seven years, according to the National Association of Realtors (NAR).

Not since October 1979, when the rate was 3.77 million units, has the resale pace been this high, the NAR reported.

The August resale rate was 7.6% ahead of its August 1985 pace.

NAR president Clark E. Wallace attributed the August increase to lower mortgage rates, which were at about the 10% level for fixed-rate loans, and consumer confidence in the housing market now that the mortgage deduction will be maintained under the new tax system.

NAR economists are predicting a 6.5% increase in the number of resales this year, or about 3.4 million units. Next year, the association said the pace should decline slightly, a reaction to the lower tax brackets that will increase the after-tax costs of home ownership.

Median Sales Price
(in thousands of dollars)

	Aug[p]	July[r]	June	May
U.S.	80.0	80.3	82.6	83.2
Northeast	103.6	102.2	109.7	104.9
South	77.0	77.3	80.0	82.9
Midwest	63.4	64.1	65.2	64.6
West	103.3	104.1	103.0	104.7

[p]-preliminary [r]-revised

Source: National Association of Realtors

Housing activity increased in all four regions in August, the largest of which was recorded in the West. Activity in the 13-state region rose a whopping 20.3% from July to 710,000 units, seasonally adjusted. The resale pace is also 20.3% above the August 1985 level when 590,000 resales were recorded.

Home prices fell in August in the West, down $800 to $103,300, which is still a 4.9% increase from a year ago.

Nationally, home prices fell $300 to $80,000 for a median-priced resale home, 3.6% above the August 1985 pace.

The picture was different in the Northeast. There the cost of the median priced resale home rose 14% from a year ago to $103,600, up $1,400 from July.

The resale home pace in the Northeast also grew in August, by 6%, to 710,000 units, seasonally adjusted, a 7.6% increase from August 1985, the NAR reported.

Resale activity in the Midwest outpaced the Northeast in August, rising 8.4% to 1.03 million units, 9.6% above August 1985. The median cost of a previously occupied single-family home jumped 6.6% from last August, to $63,400, but fell $700 from July.

Sales activity in the South showed some positive signs, inching up 2.4% in August to 1.26 million units, seasonally adjusted, 1.6% ahead of the sales pace from the corresponding month one year ago.

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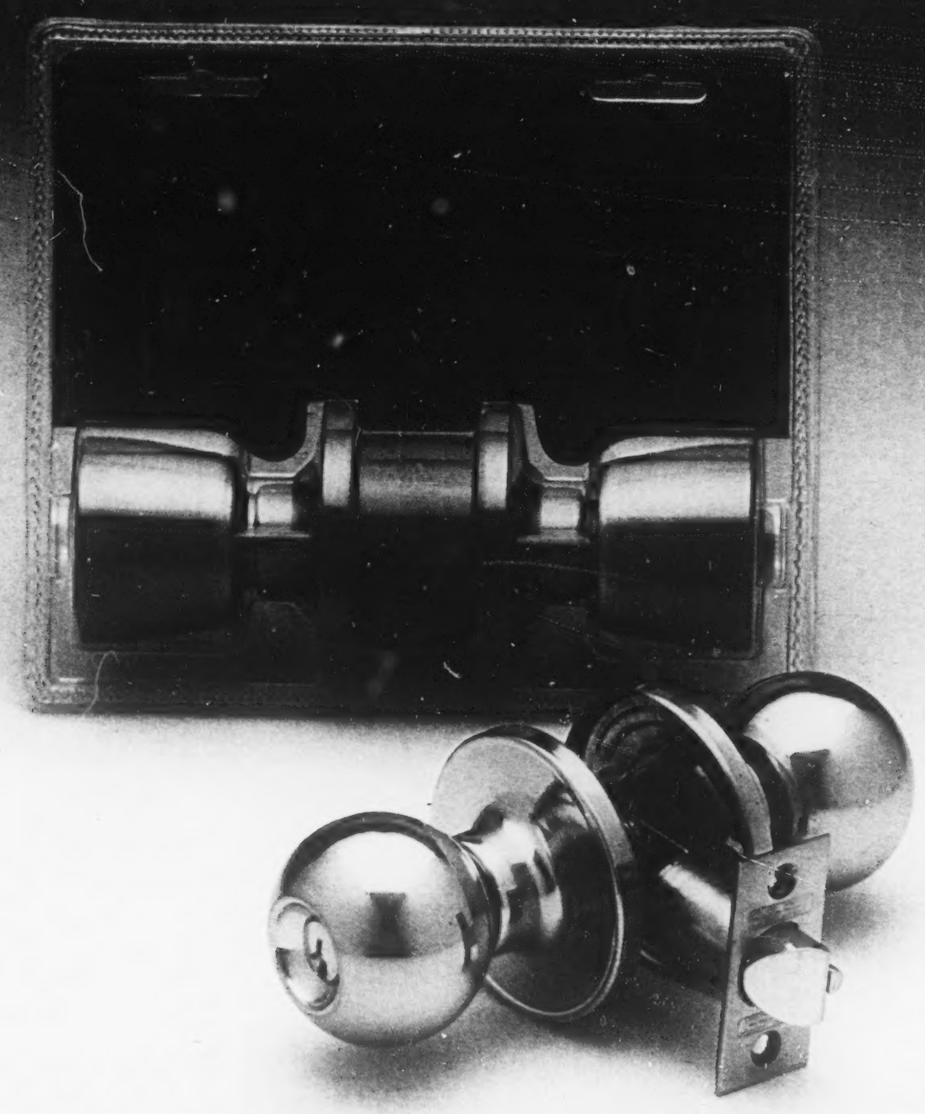

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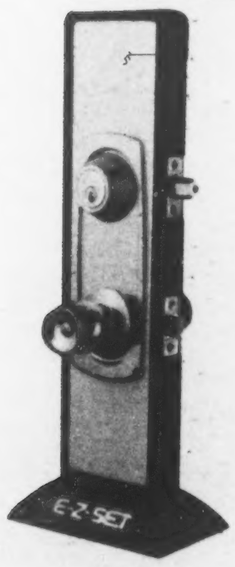

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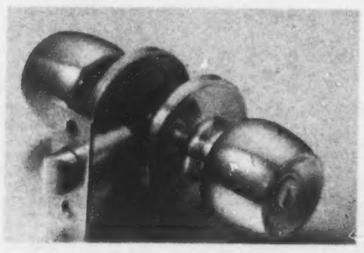

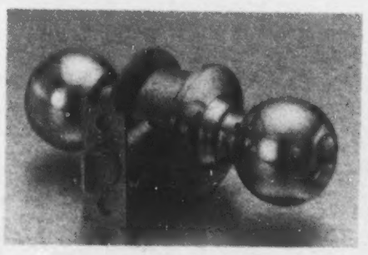

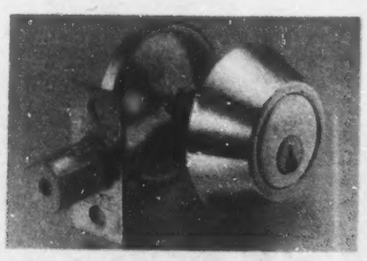

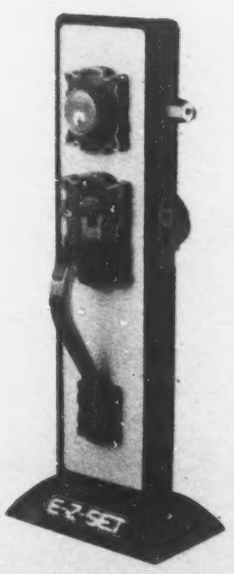

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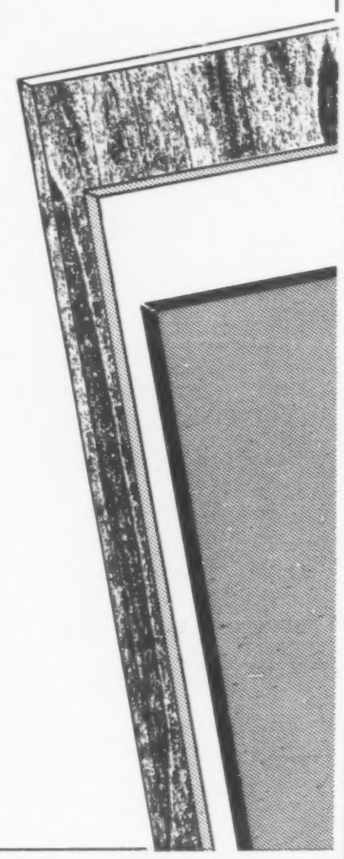

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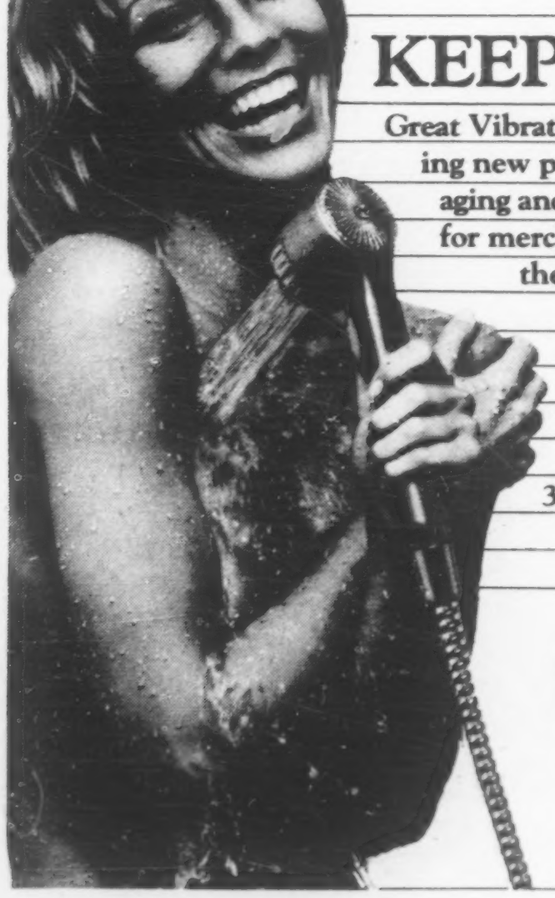

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LUMBER REPORT

Supply and price fluctuate wildly due to tariff fears and strikes

(Continued from page 1)

in which people are waiting to see if prices are going to go up or down."

Evidence for Sabbeth's view was present in *Random Lengths*, the lumber trading newsletter that reported in its September 26 issue that mill orders in the Pacific Northwest for the week September 13 to 20 had dropped nearly 25% to 144 from 197.

Sabbeth suggested that one reason people are taking short positions or hesitate to buy is the possibility that there may be no tariff at all, which, he believes, would cause a "cave-in in prices." However, the notion that there will not be a tariff is one shared by only a tiny minority of lumber and building materials operators.

"Prices are high already and people are saying, 'hey, if there is no tariff we're going to see the prices cave in,' " Sabbeth said. "Why pay an inflated price just because we think there's going to be a tariff?"

Invoices 'subject to tariff'

Prices have been fluctuating wildly for the past two months, according to home center lumber buyers. At the same time, many buyers report that they are beginning to see on their invoices for the first time quotes that are "subject to a tariff" or guarantee "duty free" quotes.

Dan Benigno, lumber buyer for Gee Lumber, Chicago, recalled that when he recently searched the market for Hem fir 2x4's, he received seven price levels ranging from $258 to $292 per thousand bd. ft.

Benigno said the wide price fluctuations for Hem fir, essentially an American forest product, have soared since the strike in British Columbia. The threat of a tariff is also fueling some Canadian mills efforts to lock in American buyers before it's too late.

"I must get 50 calls a week in here from different mills in Canada trying to peddle their product and their main theme is buy now before the tariff," Benigno said.

Shortage in shakes

While Benigno said he has not experienced any difficulty finding the products he wants, other lumberyards and home centers have been caught short, especially for cedar shakes and shingles, which were hit by a 35% tariff in May (*NHCN*, June 16). Even though the tariff was initially thought to blunt demand, home builders were willing to pay the increase in price. But the strike in British Columbia, where the majority of North America's cedar mills are located, wiped out supplies.

"Cedar bevel siding has become quite impossible to get," said Don Parson, of East Coast Lumber Building Supplies, East Hampstead, N.H. "We do quite a bit of business with that and for the first six months of this year, we sold 1.5 million lineal feet of red cedar but that product has virtually dried up."

One interim step East Coast Lumber has taken to replace cedar products is to buy California redwood shingles, a much more expensive item, but one that is more plentiful on the market.

In Elgin, Ill., where Beth Stewart, the lumber buyer for Seigle's Home and Building Center had a $38,000 truck load of cedar on order with a Canadian supplier since July, the British Columbian strike and impending tariff have made the buying of lumber a particularly cautious enterprise.

Stewart said she was glad that the cedar supplier agreed to sell Seigles the truck only if the strike ends before the winter. Otherwise, she said, the company would be stuck sitting on six months worth of inventory.

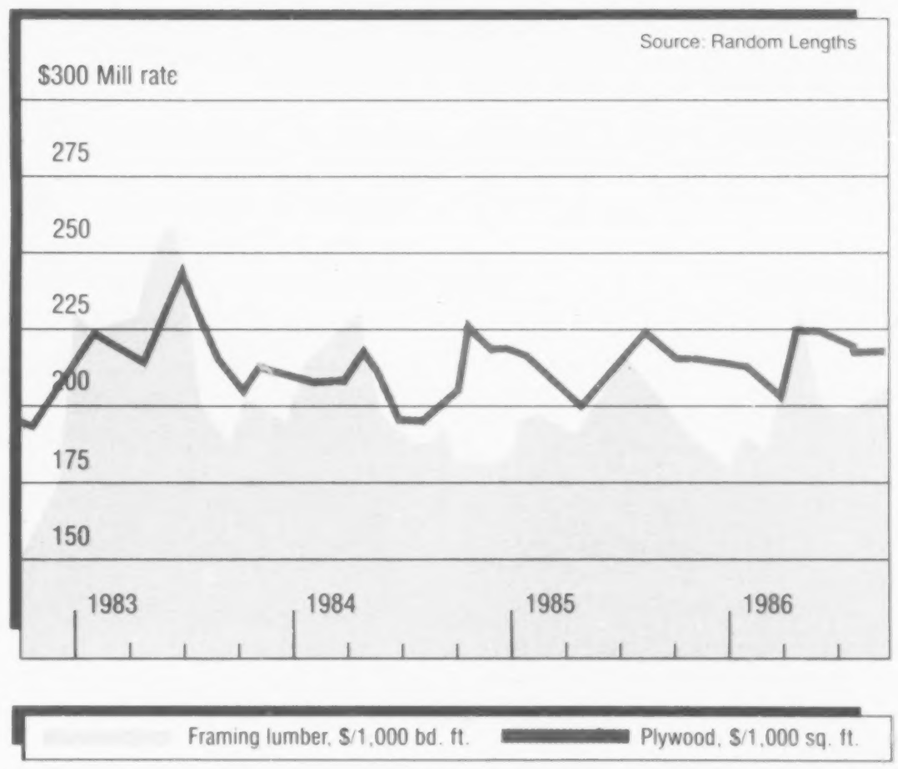
In addition, Stewart pointed out that recent flooding in the Midwest is beginning to take its toll on contractors who are starting to renege on purchases. So the net effect is that lumber prices are starting to fall, she said.

In the meantime, she said the company has been buying its lumber from the Pacific Northwest, stocking up on Hem fir and Douglas fir products whose prices have also risen recently.

"Just like the cedar shake and shingle manufacturers raised their prices, its going to happen when lumber gets the tariff," Stewart said. "Quite truthfully, they've already done it. While Hem fir and Doug fir haven't been as bad as spruce, they still raised the prices $30, $40 and $50 a thousand because that's what the market was doing."

Commodity close-up

Composite lumber/plywood price profile
(per thousand board feet)



Despite widespread anxiety over a tariff on lumber and the supply disruptions from Canadian mill strikes, lumber and plywood trading prices rose modestly through the summer. The framing lumber price rose to $211 a thousand board feet in September from $199 in July. Plywood rose slower from $222 a thousand square feet in September from $219 in July.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 9/25

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Nov.	$172.30	$162.50	$167.60	$170.40	3,338	$186.90	$146.00
Jan. '87	$167.20	$160.30	$164.60	$164.80	1,224	$182.00	$150.00
March	$166.80	$161.30	$164.00	$164.70	440	$180.50	$153.00
May	$167.50	$162.00	$164.50	$166.00	125	$179.00	$155.50
July	$168.00	$163.00	$164.50	$166.00	39	$177.50	$155.10
Sept.	$168.00	$163.50	$165.00	$166.10	23	$177.90	$163.50
Nov.	$166.00	$161.40	$163.20	—	6	$166.00	$161.40

Total Contract Vol. (Through 9/25): 17,044 **Previous Two Weeks: 17,267**
Total Open Interest (As of 9/25): 5,196 **Previous Week: 6,041**
Cash Price: $195.02 **Previous Week: $205.80** **Year Ago: $152.88**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 9/25
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

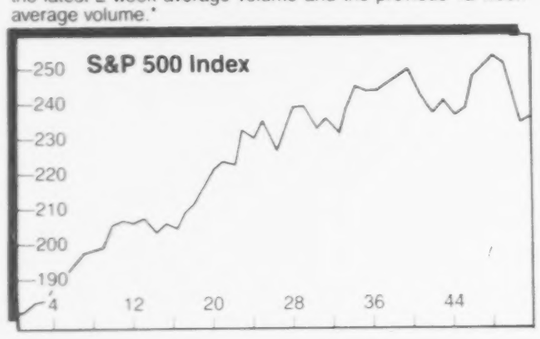
FINANCIAL NEWS

The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-3-86		(100)	%	%
Mor-Flo Inds	M	787	509.8	- 12.5
Handyman	A	1,066	508.8	47.9
Std Brd Pnt	N	15,779	351.5	22.5
Masco Corp	N	34,810	200.0	- 1.5
Svc Merchandise	M	60,499	184.2	- 1.1
Scotty's Inc	N	1,826	162.5	.0
Erb Lumber	M	649	158.7	18.9
Georgia-Pacifc	N	51,054	145.3	4.2
Mich General	A	3,300	144.5	- 20.0
Pope & Talbot	N	1,049	139.7	1.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market		2-Weeks Ended 10-3-86	2-Week Price Change	Total 2-Week Volume
Winners		$	%	(100)
Handyman	A	44.75	47.9	1,066
Std Brd Pnt	N	25.88	22.5	15,779
Erb Lumber	M	15.75	18.9	649
SW Forest Ind	N	16.25	8.3	6,495
Stanley Works	N	26.25	7.1	3,524
Manville Cp	N	2[illegible]	5.3	7,494
Certain-teed	N	29[illegible]	5.3	1,171
Natl Lumber	M	[illegible]	5.3	435
Stanline Inc	M	10.[illegible]	5.1	218
Champ Intl	N	26.25	5.0	23,530
Losers		$	%	(100)
Mich General	A	2.00	- 20.0	3,300
Mor-Flo Inds	M	12.25	- 12.5	787
Zayre Corp	N	21.88	- 11.2	31,778
Home Depot	N	16.88	- 7.5	7,661
Natl Hardgoods	M	8.50	- 5.6	105
Wickes Cos	A	4.25	- 5.6	49,305
Payless Cash	N	17.13	- 5.5	10,177
USG Corp	N	41.13	- 5.5	22,652
Allegheny Int	N	19.13	- 4.4	7,103
Hechinger A	M	16.25	- 4.4	5,849

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Company and Market		2-Weeks Ended 10-03-86	Price 2-Weeks Change Amt.	Price 2-Weeks Change Pct.	Price 2-Week Range High	Price 2-Week Range Low	Price 52-Week Range High	Price 52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change
-		$	$	%	$	$	$	$	(100)	%	%	%
Retailers												
Color Tile	M	31.25	.13	.4	31.38	31.13	31.38	18.00	8,510	8.97	7.62	17.7
Erb Lumber	M	15.75	2.50	18.9	16.50	12.75	19.25	6.00	649	1.94	.75	158.7
Forest City Ent	A	28.88	- .50	- 1.7	29.75	28.75	33.50	22.00	66	.08	.04	100.0
Grace W R	N	46.88	- .38	- .8	48.13	45.38	60.75	35.50	12,390	2.98	2.12	40.6
Handyman	A	44.75	14.50	47.9	46.00	30.38	46.00	21.88	1,066	4.14	.68	508.8
Hechinger A	M	16.25	- .75	- 4.4	17.00	15.75	23.59	12.81	5,849	5.35	3.71	44.2
Hechinger B	M	18.75	.00	.0	19.00	18.50	23.59	12.81	354	.22	.26	- 15.4
Home Depot	N	16.88	- 1.38	- 7.5	18.75	16.50	21.75	10.50	7,661	3.04	1.67	82.0
INTERCO Inc	N	40.25	.50	1.3	40.75	39.38	47.63	31.38	3,450	1.21	1.12	8.0
K mart Cp	N	46.63	.63	1.4	48.75	44.75	57.38	31.13	47,225	3.75	2.23	68.2
Lowe's Cos	N	24.00	- .38	- 1.5	26.50	23.75	41.50	20.75	7,914	2.02	1.78	13.5
Mich General	A	2.00	- .50	- 20.0	2.63	1.63	5.25	1.63	3,300	2.91	1.19	144.5
Natl Hardgoods	M	8.50	- .50	- 5.6	8.88	8.50	9.31	5.00	105	.78	.86	- 9.3
Natl Lumber	M	5.00	.25	5.3	5.63	4.75	7.00	4.00	435	.77	.43	79.1
Pay N Pak	N	10.50	.13	1.2	11.25	10.38	19.38	9.50	2,404	2.40	2.01	19.4
Payless Cash	N	17.13	- 1.00	- 5.5	18.88	16.88	27.50	13.50	10,177	2.94	1.58	86.1
Scotty's Inc	N	13.88	.00	.0	14.25	13.13	18.13	12.38	1,826	1.26	.48	162.5
Sears, Roebuck	N	41.13	1.13	2.8	42.50	39.00	50.38	31.75	67,624	1.85	1.09	69.7
Svc Merchandise	M	11.25	- .13	- 1.1	11.75	9.75	15.00	8.25	60,499	18.16	6.39	184.2
Std Brd Pnt	N	25.88	4.75	22.5	27.00	20.50	27.00	18.75	15,779	13.95	3.09	351.5
Supermkts Gen	N	28.00	1.13	4.2	28.00	25.50	32.25	20.31	3,681	.96	.72	33.3
Wickes Cos	A	4.25	- .25	- 5.6	4.50	4.13	7.00	4.00	49,305	2.78	2.14	29.9
Wolohan Lumber	M	7.88	.13	1.6	8.13	7.63	10.75	5.25	897	1.53	1.78	- 14.0
Zayre Corp	N	21.88	- 2.75	- 11.2	25.88	21.25	43.88	21.25	31,778	5.39	3.70	45.7
Wholesalers												
Lewis Palmer	M	9.00	.00	.0	9.00	8.75	9.88	6.63	1,241	3.16	1.35	134.1
Stanline Inc	M	10.25	.50	5.1	10.50	9.50	12.75	6.13	218	1.35	1.67	- 19.2
Manufacturers												
Allegheny Int	N	19.13	- .88	- 4.4	20.88	18.75	28.75	11.38	7,103	6.60	3.52	87.5
Am Standard	N	38.50	.00	.0	40.13	38.38	46.88	29.63	12,192	3.24	1.66	95.2
Am Woodmark	M	10.88	- .13	- 1.1	11.50	10.50	14.75	10.00	1,094	1.78	NC	NC
Armstrng Wrld	N	54.00	2.50	4.9	54.50	50.50	69.88	33.75	7,493	3.11	1.52	104.6
Black & Decker	N	16.13	.13	.8	16.88	15.38	25.25	14.50	20,109	3.47	1.99	74.4
Boise Cascade	N	58.38	1.88	3.3	59.13	56.13	61.50	39.63	8,872	3.03	2.11	43.6
Certain-teed	N	29.88	1.50	5.3	30.00	28.25	38.50	22.38	1,171	.62	.94	- 34.0
Champ Intl	N	26.25	1.25	5.0	26.75	24.38	29.75	20.25	23,530	2.49	1.77	40.7
DeSoto Inc	N	37.88	.88	2.4	38.00	36.88	41.38	31.50	467	.98	.65	50.8
Emhart Corp	N	31.75	- .63	- 1.9	33.50	30.75	42.63	26.38	5,821	1.91	.80	138.8
Georgia-Pacifc	N	36.88	1.50	4.2	37.38	34.00	37.38	20.63	51,054	4.93	2.01	145.3
Insilco Corp	N	19.75	- .63	- 3.1	20.63	19.25	24.75	16.63	3,831	1.95	1.09	78.9
La Pacific	N	27.00	.50	1.9	27.50	25.13	30.13	17.47	5,240	1.42	1.18	20.3
Macmillan Bloedel	M	26.50	1.00	3.9	26.50	25.50	28.63	12.47	141	.05	.05	.0
Manville Cp	N	2.50	.13	5.3	2.63	2.25	8.88	2.00	7,494	3.12	1.81	72.4
Masco Corp	N	24.00	- .38	- 1.5	25.88	23.50	34.50	15.50	34,810	2.70	.90	200.0
Mor-Flo Inds	M	12.25	- 1.75	- 12.5	13.50	12.00	19.25	12.00	787	3.11	.51	509.8
Newell Co	N	25.00	- .13	- .5	26.25	24.38	36.75	17.13	1,349	1.20	1.35	- 11.1
Owens Corning	N	78.00	1.00	1.3	78.63	77.00	82.50	32.75	23,988	8.05	12.48	- 35.5
Ply-Gem	A	11.00	- .13	- 1.1	11.75	10.63	15.50	10.09	3,144	4.28	1.85	131.4
Pope & Talbot	N	19.88	.38	1.9	20.25	19.63	24.75	17.25	1,049	1.75	.73	139.7
Potlatch Cp	N	56.50	1.00	1.8	57.38	54.75	61.00	34.00	960	.74	.99	- 25.3
Sherwin-Wms	N	24.13	- .38	- 1.5	24.38	22.75	32.25	17.19	7,164	1.55	1.35	14.8
SW Forest Ind	N	16.25	1.25	8.3	16.38	14.88	17.50	9.88	6,495	6.41	2.97	115.8
Stanley Works	N	26.25	1.75	7.1	27.88	24.44	30.84	18.84	3,524	.84	.72	16.7
Thos Inds	N	19.13	.88	4.8	19.25	18.00	26.75	16.44	661	.73	.69	5.8
USG Corp	N	41.13	- 2.38	- 5.5	44.00	40.13	46.50	18.50	22,652	3.35	1.98	69.2
Walter, Jim	N	43.63	- 1.63	- 3.6	47.50	42.75	54.63	26.09	7,323	2.53	2.38	6.3
Waxman Ind	M	13.75	.00	.0	14.00	12.88	17.13	10.25	570	1.81	1.86	- 2.7
Weyerhaeuser	N	35.13	.13	.4	36.00	33.75	40.25	24.75	24,708	1.90	1.16	63.8

Financial Update

Company and Market		P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-		-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																			
Color Tile	M	19.8	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber	M	9.1	.00	.0	.....	6 mos.	06-86	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent	A	26.3	.30	1.0	.....	6 mos.	07-86	43.3	- 19.1	6.4	88.2	.80	86.0	131.3	3.2	6.6	83.3	.83	84.4
Grace W R	N	14.4	2.80	6.0	.....	6 mos.	06-86	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman	A	19.4	.20	.4	.....	6 mos.	06-86	50.2	- 2.3	2.2	- 12.0	.85	- 14.1	112.8	- .6	2.0	- 60.0	.79	- 60.1
Hechinger A	M	NA	.16	1.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	22.6	.06	.3	.....	6 mos.	07-86	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot	N	26.8	.00	.0	.....	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc	N	13.3	1.60	4.0	.....	3 mos.	05-86	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp	N	20.5	1.48	3.2	.....	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos	N	15.2	.40	1.7	.....	6 mos.	07-86	657.8	10.4	21.2	1.4	.54	- 6.9	1191.8	13.7	32.6	- .6	.85	- 6.6
Mich General	A	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods	M	19.8	.00a	.0	.....	6 mos.	07-86	10.9	5.8	.4	100.0	.25	25.0	17.4	2.4	.4	33.3	.28	33.3
Natl Lumber	M	NE	.00	.0	.....	*	07-86	NC	NC	NC	NC	NC	NC	72.7	NC	(.7)	NC	(.12)	NC
Pay N Pak	N	16.2	.40	3.8	NEW	6 mos.	08-86	108.7	20.1	1.1	- 63.3	.11	- 63.3	213.8	23.4	3.4	- 33.3	.34	- 33.3
Payless Cash	N	13.9	.16	.9	.....	9 mos.	08-86	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc	N	14.9	.52	3.7	NEW	fiscal	06-86	134.6	11.8	3.8	- 30.9	.26	- 33.3	493.9	8.9	13.5	- 22.9	.93	- 27.9
Sears, Roebuck	N	11.8	1.76	4.3	.....	6 mos.	06-86	10750.2	9.3	284.9	7.3	.77	6.9	20140.5	8.3	480.2	- 1.8	1.29	- 2.3
Svc Merchandise	M	NE	.08	.7	.....	6 mos.	06-86	626.6	14.8	(9.3)	- 100.0	(.27)	- 100.0	1083.7	21.4	(38.5)	NE	(1.15)	NE
Std Brd Pnt	N	21.6	.58	2.2	.....	6 mos.	07-86	89.2	- 6.6	4.8	- 11.1	.42	- 12.5	167.0	- 5.3	8.1	- 20.6	.71	- 22.0
Supermkts Gen	N	15.6	.28	1.0	.....	6 mos.	07-86	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos	A	15.7	.00	.0	.....	6 mos.	07-86	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	NE
Wolohan Lumber	M	11.3	.16	2.0	.....	6 mos.	06-86	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp	N	14.5	.32	1.5	.....	6 mos.	07-86	1212.7	35.4	9.0	- 43.8	.15	- 44.4	2257.2	33.9	25.7	- 17.6	.43	- 20.4
Wholesalers																			
Lewis Palmer	M	29.0	.28b	3.1	.....	6 mos.	07-86	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanline Inc	M	11.6	.28	2.7	.....	9 mos.	07-86	16.4	18.0	.5	66.7	.26	8.3	43.8	5.5	1.1	22.2	.64	- 8.6
Manufacturers																			
Allegheny Int	N	NE	.00	.0	.....	6 mos.	06-86	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard	N	7.6	1.60	4.2	.....	6 mos.	06-86	819.4		80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark	M	11.1	.00	.0	.....	3 mos.	07-86	28.4	16.9	1.8	63.6	.30	36.4	28.4	16.9	1.8	63.6	.30	36.4
Armstrng Wrld	N	12.1	1.44	2.7	.....	6 mos.	06-86	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker	N	24.4	.40	2.5	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade	N	18.5	1.90	3.3	.....	6 mos.	06-86	945.1	- .8	31.3	- 1.3	1.07	.0	1861.7	- 2.5	56.3	- 13.4	1.90	- 13.2
Certain-teed	N	10.3	.90	3.0	.....	6 mos.	06-86	286.1	- 1.7	16.2	- 1.8	.85	1.2	541.1	- .5	26.7	8.1	1.41	12.8
Champ Intl	N	18.1	.52	2.0	.....	6 mos.	06-86	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc	N	12.7	1.40	3.7	.....	6 mos.	06-86	131.5	2.8	4.9	- 23.4	1.02	- 23.9	228.3	3.3	7.3	1.4	1.53	1.3
Emhart Corp	N	11.8	1.40	4.4	.....	6 mos.	06-86	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Georgia-Pacifc	N	23.9	.80	2.2	.....	6 mos.	06-86	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp	N	14.3	1.00b	5.1	.....	6 mos.	06-86	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific	N	22.0	.80b	3.0	.....	6 mos.	06-86	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel	M	NA	.50b	NA	.....	6 mos.	06-86	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp	N	NE	.00	.0	.....	6 mos.	06-86	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp	N	17.0	.36	1.5	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds	M	13.5	.01	.1	.....	6 mos.	06-86	48.3	- 9.9	.8	- 52.9	.32	- 53.6	100.7	- 5.0	1.5	- 55.9	.60	- 55.2
Newell Co	N	11.8	.70	2.8	.....	6 mos.	06-86	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning	N	16.5	1.40	1.8	.....	6 mos.	06-86	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem	A	12.6	.12	1.1	.....	6 mos.	06-86	59.1	38.1	2.4	166.7	.30	100.0	109.7	31.4	4.4	120.0	.56	60.0
Pope & Talbot	N	20.9	.80	4.0	.....	6 mos.	06-86	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp	N	17.3	1.68	3.0	.....	6 mos.	06-86	249.9	.5	19.5	85.7	1.40	129.5	483.2	.0	33.1	50.5	2.35	83.6
Sherwin-Wms	N	14.5	.50	2.1	.....	6 mos.	06-86	598.3	- 1.4	30.5	7.0	.65	4.8	1101.0	.2	37.4	9.4	.80	6.7
SW Forest Ind	N	NE	.00	.0	.....	6 mos.	06-86	158.5	- 11.4	(4.0)	NE	(.25)	NE	301.0	- 13.8	(12.0)	NE	(1.19)	NE
Stanley Works	N	13.6	.76	2.9	.....	6 mos.	06-86	402.6	29.1	20.5	6.8	.49	6.5	726.8	23.4	35.2	6.0	.84	3.7
Thos Inds	N	10.3	.68b	3.6	.....	6 mos.	06-86	77.1	- 2.3	4.3	10.3	.47	4.4	147.9	- 3.2	7.5	5.6	.83	5.1
USG Corp	N	10.9	1.12	2.7	.....	6 mos.	06-86	752.6	16.6	76.2	23.5	1.15	25.0	1374.7	11.4	127.9	22.7	1.96	25.6
Walter, Jim	N	16.4	1.40	3.2	.....	9 mos.	05-86	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind	M	15.3	.08	.5	.....	fiscal	06-86	27.7	30.0	1.0	100.0	.32	39.1	97.8	18.3	2.8	27.3	.90	1.1
Weyerhaeuser	N	24.4	1.30	3.7	.....	6 mos.	06-86	1497.4	6.9	68.4	14.6	.46	12.2	2804.1	4.8	118.4	20.9	.77	18.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P.E. Ratio—Price earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219